EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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The Valley tires of the American way
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World News

Soviet Union wants further discussions on Berlin

The Soviet Union, concerned that developments in East Germany could veer out of control, indicated that it wished to continue talks begun in West Berlin with its three Second World War allies.

Ambassadors from the Soviet Union, US, Britain and France met for 2½ hours in the Allied Control Council building in West Berlin for the first time since they concluded the four-power agreement in 1971. Page 18

Pravda chief denial

Ivan Frolov, editor of Pravda and one of Mikhail Gorbachev's closest political advisers, denied the Soviet leader had formally threatened to quit in the face of a revolt by conservative members of the Communist Party Central Committee. Page 2

Telecom go-ahead

A new era in telecommunications was launched when the UK Government awarded licences to three international consortia to provide mass market mobile communications systems. Page 10

Boat people leave

Hong Kong is expected to start its long-awaited mandatory repatriation of Vietnamese boat people to Hanoi today despite considerable international opposition. Page 4

Yugoslav plea

The Communist Party in Croatia, Yugoslavia's second biggest republic, called for free, multi-party elections in a move reflecting the impact of the political revolution in Eastern Europe. Page 3

Brazilian election

The socialist candidate in Brazil's presidential elections, Luis Inacio Lula da Silva, appears capable of overtaking Fernando Collor de Mello, his centre-right rival, during the last five days of the campaign. Page 3

Japan reviews China

The Japanese Government is discussing ways of improving its relations with China following a visit to Peking by Brent Scowcroft, US National Security Adviser. Page 4

Greek vote forecast

Greek conservative party leader Constantine Mitsotakis predicted the third national election in 12 months would take place next March or April.

SA in arms talks

South Africa has started talks with the US, the Soviet Union and Britain on signing a treaty banning the spread of nuclear weapons, diplomats said.

Yemen policy move

Marxist South Yemen, influenced by the wave of democracy sweeping Eastern Europe, opened for the first time the door for opposition groups to form political parties, the ruling Socialist Party said.

Rebels bomb homes

Corsican separatist guerrillas blew up about 40 holiday homes under construction and pledged to continue fighting foreign investment on the French Mediterranean island.

Iraqi veiled threat

Iraq has issued a veiled threat that it might attack Iran using recently developed missile technology if peace talks fail.

Chile poll monitor

The Council of Europe plans to send an eight-man delegation to Chile to monitor Thursday's elections.

7 dead in jail riots

Seven convicts were killed and three missing after Polish jail riots over an amnesty which excluded habitual criminals, a prison official said.

Business Summary

Argentina devalues austral by 35 per cent

A WIDE-RANGING Argentine economic package, including a 34.8 per cent devaluation of the austral, was announced by President Carlos Menem's five-month-old Peronist Government. Measures included a two-year postponement of the maturity of short-term austral-denominated government bonds. Page 18

UK: Signs that the Government's high interest rate policy is working to slow demand and cool inflation came with a reported fall in retail sales volume and no sign of an acceleration in factory gate prices last month. Page 10

WATER privatisation: Shares in the 10 UK water and sewage companies are expected to make a buoyant debut on the stock market as the issue in the £5.24bn ($8.27bn) flotation was heavily oversubscribed. Page 19

ANTI-DUMPING has become the most frequently invoked tool of trade policy after tariff duties in the US and EC, said Arthur Dunkel, director-general of the Gatt. Page 18; Details, Page 6

US and the Netherlands signed a landmark accord to combat securities fraud, a move expected to foster greater international co-operation in regulating capital markets. Page 22

CHANNEL International, Taiwan-based consortium that includes government funding, agreed to acquire Wyse Technology, ailing US computer-maker, for $268m, in a deal which marks Taiwan's largest overseas acquisition. Page 19

BELLSOUTH, largest of the US regional phone companies, dropped out of the running for LIN Broadcasting, clearing the way for a takeover by McCaw Cellular Communications, 22 per cent owned by British Telecommunications. Page 19

METSA-SERLA, United Paper Mills, and Metsälliitto, big Finnish forest product groups, signed a letter of intent to merge their pulp operations into Finland's largest pulp company and one of the biggest in Europe. Page 19

MONDADORI: The alliance seeking to wrest control of the Mondadori publishing company from Carlos De Benedetti, Italian financier, ousted the De Benedetti-backed president of Amef, the financial holding company that owns 50.3 per cent of the company's ordinary shares. Page 21

ALAN BOND'S besieged corporate empire came under further pressure as the Adelaide Steamship group pressed ahead with its application to have a receiver appointed at Bell Resources, 58 per cent-owned subsidiary of Bond Corporation. Page 21

KOOR Industries, Israel's largest industrial group, says its future is in doubt unless banks come up with a further write-off of $125m. Page 21

SALOMON Brothers, US investment bank, is almost doubling its capital base in the sterling fixed-income markets from £35m ($55.26m) to £68m. Page 24

NATIONAL Semiconductor, California-based semiconductor chip maker, has returned to profitability after five quarters of losses. Page 21

RHONE-POULENC and Hoechst, French and West German chemicals companies, are discussing co-operation accords in pharmaceuticals. Page 20

JAPANESE Ministry of Finance officials said investor protection was the prime motive behind plans for tightening the rules governing the market in US-dollar-denominated Japanese equity warrants. Page 24

France prepares early end to all exchange controls

By George Graham in Paris

FRANCE is preparing to abolish its remaining exchange controls by the end of the year – six months before the deadline laid down by the European Community directive on the liberalisation of capital movements.

President François Mitterrand told his 11 European partners of the decision at the EC summit in Strasbourg on Saturday. The French Government appears to have hoped that the decision would remain secret for a while longer – the French Finance Ministry yesterday refused to confirm the abolition – but Mrs Margaret Thatcher, Britain's Prime Minister, and Mr Jacques Santer, the Luxembourg Prime Minister, both confirmed Mr Mitterrand's announcemant to the summit.

Only a few French foreign exchange restrictions still remain in place, principally a ban on individuals opening bank accounts abroad or foreign currency accounts within France. The decision to press ahead quickly with their final removal was, nevertheless, described by French officials yesterday, as a symbol of France's political commitment to an integrated Europe.

The continued existence of exchange controls in France has been one of the UK's main arguments against any speedy move towards extensive monetary union. Italy must still modify its regulations by July 1 next year to comply with the capital movements directive, while Greece, Ireland, Portugal and Spain have until the end of 1992 to fall in line.

The French Government has also indicated that it plans to overhaul its restrictions on inward foreign investment, which now apply mainly to investors from outside the EC. Mr Pierre Bérégovoy, the Finance Minister, acknowledged recently that France had a poor reputation among foreign investors for arbitrarily blocking purchases of French companies.

France's exchange controls date back to the end of the Second World War, with two short periods of freedom in 1967-68. They have, however, beeen progressively reduced since 1985, starting in Mr Bérégovoy's first spell as Finance Minister.

Mr Edonard Balladur, Finance Minister during the right-wing government of 1986-88, took the movement several steps further, and Mr Bérégovoy has continued since returning to office last year.

In March this year, France took the decisive steps of ending restraints on the foreign exchange positions of companies and permitting banks to make loans, both in francs and in foreign currencies, to non-residents. Removal of the last restrictions will allow individuals the same freedom.

The 1990 budget now passing through the French Parliament, however, will introduce several stiff measures allowing the tax authorities to ensure that the French do not take advantage of the liberalisation of capital movements to escape paying taxes on their savings.

The measures, which have also been framed to help in the fight against the laundering of drug money, include an obligation for any transfer abroad of more than FFr50,000 ($8,300) to be declared to the authorities. At the same time, the budget reinstates the possibility for tax inspectors to raise the income tax assessments of people judged to have particularly opulent lifestyles: owners of yachts or large motorcycles, for example, or members of golf clubs or shooting syndicates. France's reluctance to remove all exchange controls in one fell swoop, as Mrs Thatcher has often urged, stems from fears that the French would rush to place their savings in less heavily taxed neighbouring countries, such as Luxembourg, thus putting the frank exchange rate under pressure.

A series of distinguished committees, chaired by financiers like Mr Daniel Lebègue of the Banque Nationale de Paris (BNP) or Mr Jean Peyrelevade of the Union des Assurances de Paris (UAP), has warned of the danger of capital flight if the liberalisation of capital movements were not accompanied by measures to harmonise the taxation of savings in the 12 EC member countries.

Mr Bérégovoy sought initially to obtain this harmonisation through the creation of a uniform withholding tax imposed throughout the Community. This plan, already greeted with scepticism by countries such as the UK and Luxembourg, was abandoned when West Germany switched camps and abolished its own recently created withholding tax.

French efforts since then have focused on obtaining greater co-operation between national tax authorities in the fight against fiscal fraud.

Ashley Ashwood

Margaret Thatcher: basic views on Europe unchanged

Thatcher shifts emphasis on EMS

By Philip Stephens, Political Editor, in London

MRS Margaret Thatcher, the British Prime Minister, yesterday indicated a shift of emphasis in her attitude to the European Monetary System (EMS), saying she had an "open mind" on whether Britain might take up full membership before the next general election.

In a wide-ranging interview, she reaffirmed that curbing inflation was the overriding priority of her domestic policy and warned that the present interest rate squeeze would continue for some time.

She also indicated tackling pollution and improving public services were at the top of the Government's agenda for the 1990s.

Appearing confident and relaxed after last week's abortive challenge to her leadership of the Conservative Party and the EC summit in Strasbourg, Mrs Thatcher insisted she had not changed her views on European integration.

The priority was the creation of a single market and a recognition that the Community was only one manifestation of a "wider Europe" rather than a headlong rush to political union. She claimed both were areas in which Britain rather than France or West Germany had led.

Her remarks, however, confirmed the impression at Strasbourg that she hopes her opposition to the Delors plan for economic and monetary union and to the Social Charter will not lead to an acrimonious battle with the rest of the Community.

That – with a more emollient tone on the EMS – will be seen at Westminster as evidence that Mrs Thatcher is
Continued on Page 18
Head in Europe, Page 16

Czechs bid to rejoin IMF after 35 years of isolation

By John Lloyd in Prague

CZECHOSLOVAKIA has applied to rejoin the International Monetary Fund and the World Bank, a move which may eventually end 35 years of economic isolation since the communist authorities severed links with the organisations in 1954.

The application was the first act of the new Finance Minister, Mr Vaclav Klaus, 48, when he entered his ministry at 10 am yesterday. A slight, greying man, he has been catapulted from being a barely tolerated dissident to sitting in a large, gloomy office.

His first and only interview with the press yesterday showed a man whose neo-liberal radicalism remains keen but is already being tempered by considerations of power.

His second act was to ask the National Assembly, presently discussing the budget, to approve a provisional budget for the next three months and thus give him some breathing space to introduce new measures and restructure the budget itself.

The new Finance Minister should yesterday have been addressing a conference at Wilton Park (the British Foreign Office's conferencs centre) in Sussex, England, on "Communist Orthodoxy and the Multi-Party State." Instead, he is punching buttons on an orthodox communist intercom and is surprised to get his secretary who springs into his office to tell him that the Czech Prime Minister is waiting to see him.

Asked if he would – as he has proposed in a recent paper – start to institute "a heavy dose of monetarism," as he advocated in a recent paper, he replied: "I would like to, but the question is: Is the Czechoslovak public ready for it? And are my colleagues in the Government ready for it?" He enjoys a "broad consensus" with the other two members of the economic team – Dr Valter Komarek, the First Deputy Prime Minister and Mr Vladimir Dlouhy, head of the Planning Commission.

"We all agree that the flood of 'easy money' must be stopped. The problem is the sequencing of the reforms, which is essentially an economic problem. There is also the political problem of selling it to the public. The rest is basic, textbook stuff."

He criticised Western misconceptions about Czechoslo-
Continued on Page 18

Mladenov: reforms

Bulgaria plans free elections by June

By Judy Dempsey in Vienna

BULGARIAN leader Petar Mladenov yesterday promised free elections by June and an end to the Communist Party's automatic right to rule.

"We propose that the National Assembly organise new, free democratic elections by the end of May," he told a meeting of the party's decision-making central committee.

Mr Mladenov proposed that a new constitution that drops any reference to the leading role of the Communist Party be drafted by the end of next year. The present constitution enshrines such a role.

The promised reforms came in response to demands from the increasingly confident opposition and follow a four-week whirlwind of political change culminating in a pro-democracy rally in Sofia on Sunday which drew tens of thousands of people onto the streets.

It remains unclear if independent parties will be allowed to put up candidates, although BTA, the official news agency, reported that Mr Mladenov, who last month ousted from power Mr Todor Zhivkov, "favoured free elections."

The new constitution is expected to legalise many of the independent groups which have mushroomed in the past six months, enabling them to take part in the elections.

Mr Mladenov, who has moved quickly to consolidate his power since becoming party leader on November 9, also said the party congress scheduled for next year would be brought forward. This will give the leadership an opportunity to replace the conservative provincial party secretaries.
Courting the people; Race for president narrows, Page 2

Dresdner and BNP make joint offer for UK retail bank

By Haig Simonian in Frankfurt

DRESDNER BANK, West Germany's second biggest bank, is bidding jointly with Banque Nationale de Paris (BNP), the second biggest bank in France, for Yorkshire Bank, the UK retail bank put up for sale earlier this year.

The bid, which pitches Dresdner Bank and BNP against National Australia Bank and at least one other foreign institution, is another example of the growing European interest in the UK banking scene following last month's £950m ($1.5bn) purchase by Deutsche Bank, Dresdner Bank's bigger domestic rival, of Morgan Grenfell.

Yorkshire Bank, which has 247 branches and assets of £3.23bn, is likely to cost about as much. However, both Dresdner Bank and BNP, which had total assets of DM331bn ($131bn) and FFr1,193bn ($199bn) at the end of last year, should not have too much trouble raising the cash. The German bank made a DM1.2bn rights issue last month.

County Bank, the merchant banking arm of the NatWest Group which is handling the sale on behalf of Yorkshire's four owner banks, said yesterday that a buyer was unlikely to be announced until the end of January. The sale is believed to have attracted strong bidding interest since it represents a rare opportunity to buy into the UK retail banking market. However, the high price tag has narrowed the field of potential buyers.

Dresdner Bank and BNP already have a number of banking joint ventures around the world. Last June they tightened their links by reaching a ground-breaking decision to appoint representatives to each other's supervisory boards.

Speaking at the bank's autumn press conference yesterday, Mr Wolfgang Röller, Dresdner Bank's speaker (chief executive), said that the two partners aimed to create a wide-ranging banking network in all major European markets.

He reaffirmed the commitment of Dresdner Bank, whose European strategy has been overshadowed by its bigger domestic rival, to becoming a leader in retail and investment banking worldwide.

Tonight, the full boards of the two banks will hold their first meeting, at BNP's Paris headquarters, to discuss further ways to implement their strategy.

Hinting strongly at a dividend increase, Mr Röller announced the best 10 months' results in Dresdner Bank's history. Partial operating profits at group level rose by 20 per cent to DM1.52bn from DM1.26bn in the same period last year. Buoyed by strong credit demand in the booming German economy, interest income resisted pressure on margins to climb by 1.3 per cent to DM3.46bn, while fee income soared by almost 29 per cent to DM1.51bn.

Full operating profits, which
Continued on Page 18

MARKETS

STERLING
New York lunchtime: $1.5945
London: $1.5895 (1.5795)
DM2.8075 (2.7975)
FFr9.585 (9.565)
SFr2.5375 (2.5225)
Y229.5 (227.75)
£ Index 87 (86.7)

GOLD
New York: Comex Feb $421.8 (416.8)
London: $416.75 (410.25)

N SEA OIL (Argus)
Brent 15-day Jan $19.475 (19.10)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime: DM1.761 FFr6.0185 SFr1.5918 Y144.4
London: DM1.766 (1.772) FFr6.0375 (6.055) SFr1.597 (1.5875) Y144.45 (144.2)
$ index 68.7 (68.8)
Tokyo close: Y144.65

US LUNCHTIME RATES
Fed Funds 8⅜%
3-mo Treasury Bills: yield: 7.87%
Long Bond: 102 22/32 yield: 7.89%

STOCK INDICES
FT-SE 100: 2,351.4 (−12.1)
FT Ordinary: 1,851.8 (−10.2)
FT-A All-Share: 1,172.04 (−0.4%)
New York lunchtime: DJ Ind. Av. 2,717.79 (−13.85)
S&P Comp. 346.74 (−1.95)
Tokyo: Nikkei 37,752.67 (+28.61)

LONDON MONEY
3-month interbank: closing 15 1/32% (15 3/32)
Life long gilt future: Mar82 1/8 (91 23/32)

MARKET REPORTS, CURRENCIES, Page 40; BONDS, Pages 22,24
COMMODITIES, Page 32; EQUITIES, Pages 33 (London) 41 (World)

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Thailand coalition shaken by dispute over interest rate

Pramual Sabhavasu (left), Thailand's Finance Minister, has defied the wishes of his Prime Minister and the advice of the central bank governor by refusing to raise interest rates. The issue has severely shaken the ruling coalition. Page 4

IG Metall to push for shorter hours

By David Marsh in Bonn

IG METALL, the giant West German metalworkers' union, has kindled employers' fears of damaging strike action next year by lodging a claim for a 9 per cent wage rise and a two-hour cut in working time in forthcoming pay talks.

The union's executive board, meeting in Frankfurt, yesterday formalised a package of pay and shorter hours proposals for next year's negotiations which would add a total 12 per cent to industry's wage bill.

IG Metall already forced through a cut in the working week five years ago from 40 to 37 hours. It now wants a further reduction to 35 hours next year, although it accepts that this would have to come into effect in stages.

The metal industry employers' association, Gesamtmetall, yesterday called the union demand "highly exaggerated" and warned it would "poison" the economic opswing. Mr Dieter Kirchner, the organisation's general manager, said IG Metall was going well beyond West Germany's economic limits, and said further cuts in the working week should wait for the post-1992 completion of the European single market.

IG Metall – West Germany's largest union, which generally sets the tone for country-wide industrial wage bargaining – says that employers can afford the demands in view of full order books and soaring corporate profits.

It says living standards of its 2.5m members have suffered as higher-than-expected inflation has eaten into a three-year pay and shorter hours deal reached in 1987. With many large employers in the engineering and metal industries fearing a strike next spring, the Government and the Bundesbank have warned against adding to inflationary pressures through excessive pay claims.

The union reckons that the metal-working industry employing abont 4m people can relatively easily finance the snggested pay package through productivity gains. Mr Klaus Zwickel, an IG Metall wage round strategist, said yesterday that the metal industry had shown annual average gross profit increases of just under 10 per cent between 1985 and 1988.

Pravda chief denies Gorbachev threatened to quit

By Quentin Peel in Moscow

MR Ivan Frolov, editor of Pravda and one of Mr Mikhail Gorbachev's closest political advisers, denied last night that the Soviet leader had formally threatened to quit at the weekend in the face of a revolt by conservative members of the Commnnist Party Central Committee.

But he made clear that the Soviet leader had been forced to use his full authority at a Central Committee session on Saturday, and had insisted that he would never preside over a return to the old central command structure of Communist Party rule.

The rumours of the Soviet leader's alleged threat to resign have swept Moscow on the eve of a new session of the Soviet super-parliament, the Congress of People's Depnties, which starts today. The political debate at the Congress will centre on the monopoly role of the Communist Party, the need for either a drastic acceleration, or deceleration, of the economic reform process, and on the whole relationship between the Soviet repnblics and Moscow's rule.

Mr Frolov confirmed that Mr Gorbachev had been forced to denounce party critics who claimed that perestroika was "a step back from socialism."

Radical groups in Estonia and Latvia looked set for substantial gains from last weekend's local elections, Reuter reports from Tallinn, Estonia. Preliminary results yesterday in Tallinn showed a 12-member radical alliance had picked np 18 of the 80 city council seats after preference votes were counted, and was likely to win at least 40 when the final tally was calculated.

Among the 18 was a member of the Greens. A complex preferential voting system means the full ontcome will not be known for several days. Mr Henry Soova, a Communist Party official, said the mayor of Tallinn was likely to be among those defeated.

In neighbouring Latvia, television reports and projections said candidates backed by the radical Popular Front – whose official platform incindes independence from Moscow – looked likely to clinch more than 60 per cent of the vote. However, analysts said the apparent snccess of the radical gronps should not necessarily be seen as a defeat of the communists who had not contested the elections along party lines.

At the same time, Mr Frolov rounded on radical critics of the Soviet leader, such as Mr Boris Yeltsin, and Professor Yuri Afanasyev, with a dire warning of the consequences of pressing reform too fast.

"It is very easy to call a two-hour strike today, and tomorrow a general strike," Mr Frolov said, referring to the abortive attempt yesterday to call a political strike to demand the repeal of the Communist Party's "leading role."

"You mnst remember that we are in Russia, and we can call upon blood, a lot of blood."

The threat to resign was mentioned first by Mr Indrek Toome, the Estonian Prime Minister, who said that Mr Gorbachev was criticised "because we are praised and flattered by the capitalist world, and that this was a pretty clear sign that something was wrong.

"Gorbachev could not control himself after that, and said: 'If that is the opinion, we will discuss the matter, and I am not clinging to my post,'" Mr Toome told the Estonian newspaper Noorte Haal.

Whether he did so or not, the division in the highest ranks of the ruling party was the most graphic demonstration yet of the way in which the Soviet reform process, and the upheaval in Eastern Europe, has crystallised the debate on the eve of the Congress.

No leading figure is prepared to predict the outcome of the 2,250-member assembly, meeting for its second session since it was first elected last May. They are not even prepared to predict that it will stick to the agenda.

Perhaps the most revealing decision by the Soviet anthorities has been not to televise the proceedings live, on the grounds thet labour productivity across the country dropped 20 per cent when they did so before.

The most fury has been generated hy the demand of the 400-plus radical deputies in the so-called Inter-regional Group that Article Six of the Soviet constitution, which enshrines the leading role of the Communist Party, should be put on the agenda – and scrapped.

That was the key element behind yesterday'e abortive strike called by Dr Andrei Sakharov and others, which reportedly caused two-hour stoppages in places as far apart as Lvov in the Western Ukraine, the Moscow suburb of Zelenograd, and the Arctic mining town of Vorkuta, hut no mass protest.

Mr Gorbachev won the backing of conservatives for his rejection of any immediate debate on Article Six, although he does accept that it can be questioned as part of rewriting the entire constitution.

However, the Congress is certain to be dominated by a crucial debate on the future of economic reform, with many deputies calling for the reimposition of central controls to prevent runaway inflation, and further dislocation of essential supplies.

The radicals fear that Mr Nikolai Ryzhkov, the Prims Minister, will give in to the demands, rather than pressing through promised reforms on property rights, land laws, the devolution of budgetary power to the regions, and the first steps towards price reform.

The key will be whether Mr Ryzhkov's emergency package follows the radical lines of the economic programme drawn up by his deputy, Dr Leonid Abalkin, setting out clear progress towards a comprehensive market economy, or whether he opts for a more popular reimposition of controls.

Debate over unity moves to streets of Leipzig

By David Goodhart in Leipzig

LEIPZIG last night was the etage for a noisy shouting match between supporters and opponents of German unity, on the occasion of the first Monday night demonstration in the city since the election of the new SED leadership.

For the second week running, supporters of Unity – many simply chanting "Deutschland, Deutschland" – seemed to narrowly outnumber opponents or neutrals. Although the total number of demonstrators gathered in Karl Marx Square for the pre-march speeches was less than in previous weeks, it was still well over 50,000.

The most common banner on display was "Deutschland Einig Vaterland" along with tha West German flag. Bnt opponents of Unity had the best sense of humour: "Germany within the borders of 1254, Naples remains German" read one banner.

A hard core of two or three hundred nationalists occupied the steps of the Leipzig Opera House before the march shouting nationalist slogans snch as "No Reds on the march." A few dozen committed eupporters of a renewed Socialist East Germany tried to whistle them down.

Some Leipzigers had feared violent clashes between the groups within the increasingly differentiated opposition movement. So far there seems no danger of that and the fear may simply be lack a lack of experience. with the public, but peaceful, clash of opinion.

Although, as yet, none of the opposition or block parties represents the strongly nationalist mood of some of last night's demonstrators, an increasing number of politicians accept that a large block of opinion in ths country favours unification.

The best bet is that the minority of East Germans are strongly in favour of unification, a minority strongly against and most somewhere in between. The latters' feelings are probably best represented by the banner at an East Berlin demonstration over the weekend: "First Grow Up and then Think About Marriage."

Bonn parties back confederation move

By David Marsh in Bonn

BOTH OF West Germany's senior political parties yesterday backed plans to move towards an all-German confederation as signs mounted of grave difficulties in East Germany caused by economic dislocation and the flood of emigres to the West.

As ADN, the East German news agency, reported that Soviet troops had been called in at Rostock on the Baltic coast to relieve hospital staff shortages, an opinion poll indictated that half the West German population now believes in reunification.

According to a survey by the Sampls Institute, based in Schleswig Holstein, 58 per cent of West Germans believe the two Germanys will come together again in the next decade. This is twice the percentage of two months ago.

Speaking to a meeting of his Christian Democratic Union (CDU) in West Berlin, Chancellor Helmut Kohl emphasised that reattaining "state unity" remained the Federal Republic's long-term goal. The idea of establishing "confederative structures" between the two states – as proposed in his 10-point unity plan a fortnight ago – would form an interim phase.

The Chancellor attempted to dampen down fears abroad and in East Germany of a "go-it-alone" stance on German unity. He said he deliberately had not used the word "confederation" in his 10-point plan because such a form of unity could not be set up as long as East and West Germany belonged to competing military alliances.

"The goal of our policies has never been, and will never be, to establish an over-powerful Germany in the middle of Europe," the Chancellor claimed.

The Opposition Social Democratic Party (SPD), meanwhile, which has been placed on the defensive by the accelerating developments in East Germany, yesterday tried to clarify its policies on German unity.

The SPD badly needs to regain profile over the issue in view of the likelihood that the theme of reunification will dominate next year's general election campaign.

The SPD issued a statement ahead of its party congress next week in West Berlin in which it called for a confederation between the two German states within the next few years. Mr Hans-Jochen Vogel, the SPD chairman, said a referendum would be necessary in the two states to decide this step.

Baker denies US is at odds with UK over European integration

By Robert Mauthner, Diplomatic Correspondent

THE US and Britain are not drifting apart over West European integration, Mr James Baker, the US Secretary of State, said in London yesterday after talks with Mrs Margaret Thatcher, the British Prims Minister.

Referring to a statement by US President George Bush at a Nato meeting in Brussels last week, which suggested that an "intensified effort" by European Community members to achieve unity would be desirabla, Mr Baker said there might have been "some misunderstanding" as to what exactly was meant.

Mr Bush's remarks, made after his meeting with President Mikhail Gorbachev of the Soviet Union in Malta, have been widely interpreted in Europe and the US as a signal to Mrs Thatcher to adopt a more positive policy towards European integration.

In London, however, Mr Baker appeared to be at pains to counter the impression that Washington was calling on Mrs Thatcher "to get her European act together." The British Prime Minister, though at first clearly taken aback by the implication of President Bush's remarks for Anglo-American relstions, subsequently said she had no problem with President Bush's statement.

Mr Baker, who also had talks with Mr Douglas Hurd, the British Foreign Secretary, denied that "any fences needed mending" between Washington and London. "We feel a special relation to the UK and to the Prime Minister," he said after his talks.

According to the Downing Street statement, Mr Baker made clear that, in using the word "integration," the US had in mind the completion of the single european market in 1992 and did not include the concepts of European Monetary Union and the Social Charter, on which Mrs Thatcher found herself in a minority of one at last weekend's European Community in Strasbourg.

Mr Baker, who later flew to Berlin, where he will meet West German Chancellor Helmut Kohl today, is understood to have made it clear that, while the US strongly supports European integration, it is not trying to tell EC members by what means to achieve it.

Party in Croatia backs free elections

THE Communist Party in Croatia, Yugoslavia's second biggest republic, called yesterday for free, multi-party elections in a move reflecting the impact of the political revolution in Eastern Europe, Reuter reports from Belgrade.

"There can be no democratic socialism without political pluralism based on the right of political association and the competition of equal political snbjects and programmes," said Croatia's party leader, Mr Stanko Stojcevic. He was speaking in Zagreb at the start of a Croatian party congress where the central committee adopted a proposal that elections for the republic's parliament should be held next month, instead of March, and should be wholly free.

The proposal, which must be endorsed hy the congress, put Croatia squarely on the side of the neighbouring republic of Slovenia, whose Communist Party has pledged to hold free elections next May for the Slovenian parliament. It widened the breach between those two regions and Serbia, the largest of the six republics, whose leadership has explicitly ruled out a multi-party system. Earlier this month it broke all economic relations with Slovenia.

French plan high-speed train study

By William Dawkins in Paris

FRANCE is preparing to launch a research programme on a new generation of high-speed trains (Trains à Grande Vitesse) capable of travelling at 350km an hour.

The project, now in final stages of preparation, would cost between FFr460m (£48m) and FFr515m (£54m) over four years. Government officials said the Industry, Transport and Research Ministries would provide FFr170m, the SNCF rail board FFr95m, and private companies the rest.

The present TGVs, made by GEC-Alsthom, manage a top commercial speed of 300km an hour on the recently opened TGV Atlantique line, though an adapted version of the GEC-Alsthom locomotive last week set a new world rail speed record, 482km an hour.

One challenge for the programme will be how to protect faster trains against pressures encountered in tunnels. TGVs entering tunnels at more than 300km an hour create such a build-up of air that they risk damaging their bodywork, say officials.

Another is to enable TGVs of the future to run on the four types of current used on electrified track across Europe.

Turkish union loses patience

By Jim Bodgener in Ankara

RISING labour militancy in Turkey's public sector surfaced yesterday as delegates to the first day of the annual congress in Ankara of Turk-Is, the country's biggest union confederation, delivered etrong rebuffs to ministers.

State minister and senior government economic spokesman, Mr Isin Celebi, was booed off the podium at the meeting, while congress also rejected a demand by Mr Namik Kemal Zeybek, the Culture Minister, to make a response to Mr Suleyman Demirel, head of the opposition True Path Party.

The angry show of rejection in congress was unparalleled since the 1980 military coup, according to Ankara observers.

Organised labour's patience is wearing thin over two years of continuing high inflation, which union officials say was running at an annual 70 per cent at the end of November.

High inflation has already eroded public sector wage rises of 142 per cent which were granted to the mainly public sectory Turk-Is affiliated unions last May. Unions wrested the award from the Government of Mr Turgut Ozal, then Prime Minister, after waves labour unrest threatened to turn into strikes.

Czechoslovak presidency race narrows to two

By John Lloyd in Prague

THE PRESIDENCY of Czechoslovakia now depends on the outcome of a fierce political debate between the groups making up the government. The choice has narrowed to Mr Vaclav Havel, the Civic Forum leader, and Mr Cestmir Cisar, a former Education Minister in the 1968 Cabinet.

Mr Alexander Dubcek, the Party leader deposed in 1968, and Mr Ladislav Adamec, who resigned as Prime Minister last week, have also been proposed as candidates.

However, a broad agreement already reached rules out a Slovak (because Mr Marian Calfa, the Prime Minister, is from Slovakia) and a member of any party. This appears to rule out Mr Dubcek, as a Slovak, and Mr Adamec, as a Communist Party member – though Mr Ondrej Salink, a Communist Praesidium member, said yesterday that they were still "serious candidates."

Mr Cisar, who had been proposed as President in 1968, has already won the support of the Communist Youth Movement and is assumed to be the Communist candidate. Mr Havel has the overwhelming support of radical Prague – but it is clear that this radicalism is diluted outside the city and other major centres of Bratislava, the Slovak capital, and Brno, the Moravian capital.

Mr Salink said that the new President, who must be chosen within the next 12 days, must "follow the principles of our democratic presidency, show richness of character and ensure the stability of the state."

Confederation and nationhood: Germany debates the future

Leslie Colitt in Berlin examines the East German reception likely to await Chancellor Kohl next week

MR Lothar Späth, the Christian Democratic (CDU) Prime Minister of the West German state of Baden-Württemberg, was yesterday given a taste of the triumphal welcome which Chancellor Helmut Kohl should get when he meets the East German Prime Minister, Hans Modrow, in Dresden next week.

Descending on the Saxon metropolis with representatives of Daimler-Benz, Bosch and other major companies residing in his state, Mr Späth received the kind of reception that might have been accorded to a visiting Middle East oil minister in a West European state in the mid-1970s.

But Mr Späth not only bore tidings of future industrial co operation between West and East German companies. On a special East German TV programme on Sunday night, which was relayed back home to Stuttgart, he spoke to a rapt audience about the political future of the two Germanies.

West German leaders are being invited in droves to Dresden, East Germany's "Florence-on-the-Elbe", which is still badly scarred hy wartime aerial bombing and slab post-war housing. Dresden is the political home of East Germany's two foremost reformers, Mr Modrow and Mr Wolfgang Berghofer, the Mayor.

Until recently Mr Modrow was the Party first secretary of Dresden district. Mayor Berghofer, for his part, helped avert a potentially disastrous clash last October between irate citizens and the security forces by convening crisis talks with a group of 20 citizens. Last week end he and Mr Modrow were elected depnty heads of the beleaguered Communist Party.

Mr Berghofer, a man of aristocratic demeanour, appeared together with Mr Späth on television, and to East German viewers it appeared as if the communist mayor and the folksy CDU Prims Minister were in virtual agreement on most important issues.

Mr Späth noted that for the first time the two Germanys had an open border and would soon both have freely elected parliaments alowing them to solve most of their problems in a "community of treaties", borrowing a phrase from Prime Minister Modrow's own speeches. At this point they would need "joint parliamentary committees" and then "we will be close to a confederation" ha remarked, hlinking through heavy glasses at the camera. Of course, he added, all this would be embedded in the process of European unification and would take place as the military alliances were wound up.

Mayor Berghofer nodded in agreement. A German confederation, he said, would have to be anchored in the European House and vice versa.

"We are one nation and two states", be said, reminding viewers that the "community of trust" required by the two German states, was also needed in their relstions towards the rest of Europe which still "fears the rise of large Grossedeutschland."

Mr Späth responded hy noting that West Germany would increasingly surrender its sovereign rights to the European Community, and thus would remove the lingering fears of its European neighbours over the future of Germany.

Mayor Berghofer remarked late in the programme that he did not expect his Socialist Unity (communist) party to win a majority in the first free elections set for next May 6.

"We will accept any result. I assume we will no get a majority."

Mr Späth did not comment.

Was there not a danger, the East German moderator asked, in the politest way possible, that the strongest partner (West Germany) would "pull the wool over the eyes of the weaker one?"(East Germany).

Mr Späth assured the audience that any fear of being taken in by a stronger west Germany was unjustified. After all it was the weaker economic partners in the EC which benefited the most from membership.

That fear apparently laid to rest, the moderator asked the participants what they expected form Mr Kohl's impending visit to East Germany.

Dr Herbert Wagner, a member of the 20-member citizens' opposition group, said, "We expect a great deal" from the Kohl-Modrow meeting. Dresdeners would give the Chancellor a rousing reception. "Many people will go into the streets to welcome him," he forecast.

Chancellor Kohl, still smarting fom the booing and heckling he received in West Berlin last month after the opening of the East-West German borders, will look forward to Dresden.

Another participant, Mr Friedrich Wokurka, director of the Robotron Kombinat, the country's largest electronics firm, with 67,000 employees, said he expected a number of economic agreements from the inter-German summit. East Germany, he noted, would take steps to alter its "forms of ownership" in the near future. He agreed with Mr Späth that what East Germany needed was smaller, more flexible and privately owned producers in order to stimulate competition and innovation.

Bulgaria's new leaders face need to win over the people

Provincial party barons are clinging to power and the populace is widely cynical about reform, writes **Judy Dempsey**

FIVE NIGHTS after the successful palace coup which dislodged from power, Mr Todor Zhivkov, Eastern Europe's longest serving leader, a meeting took place in a small apartment in the outskirts of Sofia.

It was no ordinary meeting, since, under the last years of the Zhivkov regime, few intellectuals trusted each other. The country was riven with rumour and suspicion. People tended to keep to themselves.

This meeting was also different for another reason. Mr Andrei Lukanov, who was to be promoted to the politburo four days later, on November 16, made a direct appeal to 15 of the country's top intellectuals.

Although they had been euphoric, if not incredulous about the coup, they remained somewhat sceptical that Mr Petar Mladenov, the 53-year-old new party leader and former Foreign Minister, would breath fresh life into the country. But Mr Lukanov, who for so long had remained in the shadows of power, reassured them that things would change. But, he added, "it would not be easy."

As if to demonstrate his sincerity, the following days and weeks were remarkable if not revolutionary. Thousands of people have been allowed to demonstrate for a multi-party system and an end to corruption.

The leaders of the independent movements, ranging from Eco-Glasnost, the environmental group, and Podkrepa, the independent trade union, who only three months ago had been under house arrrest, are now publicly quoted by the state-run media.

A Sunday television programme, taken off the air during the summer for criticising the Zhivkov leadership, was recently host to the country's leading critics, including Mrs Blaga Dimitrova, the writer and poet. The upshot is that a new confidence is sweeping through the country's hitherto muzzled intellegentsia.

Such new-found freedoms are likely to sndure. This week, the National Assemhly will push through legislation allowing the right to demonstrate and organise. But unlike Poland, Hungary, East Germany or Czechoslovakia, the Bulgarian intellegentsia is pitifully small to push through the awesome tasks now facing the new leadership. One of those first tasks will be to confront the country's traditions.

Although Bulgaria went through a massive period of industrialisation during the late 1950s and 1960s, it did so without a working class. Industrialisation and its attendant giant snterprises were manned hy nprooted peasants. Also, in contrast to some of the other countries in Eastern Europe, the wave of industrialisation had no middle or managerial class to mitigate this upheaval.

Thus, as industry expanded under the direction of inexperienced apparachiks, agriculture was neglected. As a result, there is now an acute labour shortage in the villages and, compounded by economic mismangement, a shortage of basic food supplies.

Bulgarian economists reckon that the only way to overcome these shortages is to introduce a radical agricultural programme which could entail breaking up the large agro-industrial complexes and giving the land back to the peasants. That, they say, might provide an incentive for young people to return to the villages.

But in the provinces themselves, the party leadership is faced with even a more acute problem. Here, the corrupt, so-called "feudal barons", have for years ruled their fiefdoms with an iron hand. And like the problems besetting the Soviet leader, Mr Mikhail Gorbachev, they remain deeply conservative, if not hostile towards any change.

"They will lose their privileges. They will have to be accountable. And they will have to work hard," said Mr Georgi Pirinsky, the newly elected Deputy Prime Minister.

But the man responsible for implementing these changes, Mr Lukanov, the 51-year-old politburo member now in charge of economic and cadre policy, will have to tread very carefully. For it was these provincial party secretaries, who, two years ago, succeeded in ousting the reform-minded Mr Chudomir Aleksandrov who dared to challenge the omnipotent rule of Mr Zhivkov.

Mr Lukanov will face similar resistance, if not more, because his own power base in the party is uncomfortably weak. Unlike Mr Aleksandrov, however, he not only has the full support of the new leadership. His political and economic skills are crucial for Mr Mladenov's survival.

But for those outside the party and who do not belong to the intellectual elite, the leadership will have to move fast to win them over. For one thing, the population is either cynical about reforms or unsure why they are needed. Their scepticism has been reinforced over the past five years by Mr Zhivkov's "reforms" which amounted to no more than lip-service to Moscow.

Also, people still fear the pervasive power of the secret police. Here, Mr Mladenov has moved quickly. After dropping from the politburo, Mr Dimitar Stoyanov, the hardline formsr Interior Minister, he dishanded the ministry's notorious Sixth Department which had been set up to "lead the struggle against ideologicial subversion."

In the longer term, the leadership recognises the need for an economic and social strategy to catch up on the time squandered by Mr Zhivkov.

In a recent interview Mr Lukanov spelt out what the leadership had in mind:

- Tha drawing up of constitutional amendments which will make elections on both the local and national level competitive
- The overhauling of the legal system aimed at strengthening human rights, allowing the right to travel, the right for appeal in the courts, and the full implementation of the 1975 Helsinki Final Act.
- Greater tolerance for religious freedom and minority rights.
- An economic policy whose first aim is to break down the obsession with secrecy, publish statistics and start work on a draft economic plan which will be ready to implement by 1991.
- The drawing up of new party statutes which will be presented to the party congress scheduled for late 1990.
- The separation of party from government aimed at giving the state genuine freedom in economic matters.

Mr Lukanov admits that some of these items are vague. They are still, as he puts it, at the drawing board stage. In a country obsessed with secrecy and mismanagement, he says that even the economists have no clear picture of the real state of the economy.

But he does know what sort of society he wants to see evolve. "We want a humane and just society" which will overcome, what he terms the "political mores" of the country, a euphemism for corruption, nepotism and suspicion of talent.

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AMERICAN NEWS

Socialist challenges strongly in Brazil

By Ivo Dawnay in Rio de Janeiro

THE socialist candidate in Brazil's presidential elections, Mr Luis Inacio Lula da Silva, yesterday looked capable of overtaking Mr Fernando Collor de Mello, his centre-right rival, in the last five days of the campaign.

According to an opinion poll published by the Folha De São Paulo newspaper, only three percentage points now divide the two with Mr Collor on 47 per cent and Lula, as the Workers' Party (PT) candidate is known, on 44 per cent. Less than two weeks ago, the Datafolha polling organisation showed Mr Collor 13 points ahead. Now, the results are within the poll's margin for error and therefore represent a technical tie.

With three days' official campaigning left before the decisive December 17 ballot, unconfirmed reports also claimed that the most up-to-date soundings taken by another polling company, Toledo Associados, have found Lula to be leading by 2 per cent.

The momentum behind the left-winger provoked another nervous day in the financial markets with gold and the black dollar both rising sharply.

At midday, the dollar was selling at 21 New Cruzados, up from an opening price of NCz17.6 and under NCz14 last Thursday. Many businessmen who had long believed Mr Collor was certain to win the elections – the first free presidential poll for 29 years – now believe he will be pipped at the post.

The sharp improvement in Lula's poll results has been shown across all regions with marked growth in metropolitan areas. To the surprise of many, he has won a substantial measure of support from the middle class despite his claim to represent the interests of Brazil's dispossessed.

His corporatist views, belief in a command economy and opposition to privatisatioo appear not to have damaged his support with the bulk of the country's 82m-strong electorate. Mr Collor, an advocate of liberal economic policies who comes from a wealthy north-eastern family, has held on to the votes of the rural poor and conservative landowning and business interests.

With the political temperature rising markedly, both candidates now have only until Thursday to win over the undecided when a televised debate will end the campaign.

Mr Collor appears determined to step up his attacks on his rival accusing him of both anarchistic and fascistic traits. Lula, meanwhile, looks set to continue characterising his opponent as the champion of Brazil's discredited oligarchy.

Lula: markets worried

Bush defends China 'initiative'

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday strongly defended the weekend visit to Peking by two senior foreign policy officials as an attempt to avoid the isolation of China and an exploration of the resumption of relations.

His statement about the visit came as Congressional leaders argued that it sent the wrong signal only six months after the massacre of demonstrators in Tiananmen Square.

The visit is likely to exacerbate the tension between the Administration and Congress over China since Mr Bush vetoed legislation on economic sanctions and granting Chinese students visa extensions if they were in danger of persecution at home. Mr Bush has argued that the bills were unnecessary because he had taken executive action and the bills intruded into his foreign policy prerogatives.

The official Administration line yesterday was that the visit was to ensure that China is not isolated and to keep the Peking leadership in touch with US views on the rapidly changing situation in Eastern Europe and the Soviet Union.

However, there were unconfirmed reports yesterday that the main purpose of the visit by Mr Breut Scowcroft, the president's national security adviser, and Mr Lawrence Eagleburger, the deputy secretary of state, was to discourage the Chinese leadership from selling ballistic missiles to Syria and other Third World countries.

Before the president's statement, Mr Marlin Fitzwater, his press spokesman, said that Mr Bush had always felt that while the US must express "its moral outrage and indignation at the events of June – and must take actions adequately to represent that feeling throughout the world – we would not turn our back on productive relations with China. It was a country with which we would continue to try to normalise relations as soon as it was feasible and possible."

Mr Fitzwater stressed that all the US sanctions were still in place. These involve the suspension of government-to-government sales

Mexico paves way for vehicle imports

By Richard Johns in Mexico City

MEXICAN motor manufacturers will be able to import vehicles from 1991 but the volume must not exceed 15 per cent of vehicles sold by the manufacturer that year or in 1992 under new rules issued late last week.

Authorisation to import is limited by the requirement that companies should continue to generate a foreign exchange surplus in their operations.

Some obligations relating to the local content of vehicles produced in Mexico, which were written into the previous automotive decree issued in 1983, have been dropped. But at least 36 per cent of the value-added of finished products must be accounted for locally.

Since 1986 Mexico has adhered to the General Agreement on Tariffs and Trade. It has gone beyond basic commitments in reducing import duties and opening its markets to imports, to the point that its commercial trade balance has gone seriously into deficit, with the exception of motor vehicles, computers and pharmaceuticals.

No comment was available from Mexico's five motor car manufacturers – General Motors, Ford, Chrysler, Volkswagen and Nissan.

However, Mr Cesar Flores Esquivel, executive president of the Mexican Motor Industry Association, said: "This new, more flexible plan will enable companies to plan their strategies and confront external competition."

The decree appears to have satisfied the industry's demand for continued protection, which most manufacturers believed was necessary to ensure continued investment.

However, it leaves open the possibility of allowing more imports later, by when domestic manufacturers should be able to withstand the competition.

Foreign-owned companies in US 'not harming economy'

MOST of the concerns expressed in the politically-charged debate about increased foreign ownership of US companies are either greatly exaggerated or lack any basis in fact, according to a study* published today by two American economists, writes Guy de Jonquières.

The study, by Professors Edward Graham of Duke University and Paul Krugman of Massachusetts Institute of Technology, says foreign-owned companies in the US behave much like American companies and have not harmed the country's economy.

The authors also say the rise in foreign direct investment (FDI) in the US in the past few years is unrelated to the country's current account deficit and that the growth of foreign companies' role in the US economy slowed in the early 1980s after the deficit began to emerge.

They attribute increased FDI almost entirely to the decline in US industrial and technological pre-eminence which began during the 1970s. As a consequence the US, once the home of most of the world's multinational companies, has increasingly become host to multinationals headquartered elsewhere.

The study, which claims to be the most comprehensive analysis of recent FDI trends in the US, was inspired by growing anxieties among the US public and politicians that foreign – and particularly Japanese – companies have acquired too large a presence.

These sensitivities, aggravated by deals such as Sony's recent purchase of Columbia Pictures, led to the passage last year of the Exon-Florio amendment to the US Trade Bill, which empowers the President to block foreign takeovers and mergers on national security grounds.

The authors warn that the Exon-Florio provisions could inhibit FDI inflows unless used with great restraint.

They suggest Washington should revise military contracting rules so that it could compel foreign companies to invest in the US or to make licensing deals with US companies when supplying defence technology.

The study's most surprising finding is that FDI, as a proportion of total US manufacturing value-added and employment, grew much less rapidly from 1982 to 1986 than during the late 1970s, when the country had a current account surplus. This was despite a continued rise in the stock of FDI, as measured by balance of payments flows.

While dollar fluctuations may have influenced these developments, the study finds no support for allegations that foreign buyers have unfairly used the currency's weakness to acquire US assets at bargain prices.

**Foreign Direct Investment in the United States by Edward M. Graham and Paul R. Krugman; $11.95. Institute for International Economics, 11 Dupont Circle N.W., Washington D.C. 20036. Tel: (202) 328 9000.*

Third World watches anxiously as aid flows to Eastern Europe

Barbados has expressed fears about financial support common to many developing nations, reports Canute James

LIKE most people, Mr Erskine Sandiford, Prime Minister of Barbados, has welcomed the dramatic political changes in Eastern Europe. "These are important changes," he told a trade conference in Miami last week. "The relaxation of tension and the creation of market economies in Eastern Europe are welcome developments."

Behind this, however, Mr Sandiford and other leaders of economically embattled developing countries fear they will be left worse off. The concern, supported by statements from officials of industrialised states and investment bankers, is that the financial support for Eastern Europe will mean less for a developing world already beset by reduced official aid and private flows.

"There has to be some consideration of the changes taking place in Eastern Europe," said Mr Mark Edelman, acting administrator of the US Agency for International Development. "Ensuring the triumph of democracy and peace is what the US is interested in. American resources are limited and money for Eastern Europe will come out of what would otherwise have gone to Central America, Africa and the Middle East. We are in a zero-sum game in foreign aid and no one gets more unless someone else gets less."

These are hardly comforting words for developing countries afflicted with heavy debt burdens, net capital outflows and an urgent need for increasing quantities of aid, grants and soft money to support weak economies.

"There are constraints on the aid budget, and there is a lack of additionality," says Mr John Wood, senior director of the Americas branch of the Canadian International Development Agency. "Our assistance to Poland and Hungary has not been from our aid budget, but I cannot say that supporting the changes in Eastern Europe will not present a problem of traditional recipients of foreign aid."

Developing countries hoping to attract foreign private investment are also likely to lose out to an Eastern Europe with market economies. The competitive edge in production costs which several middle-income developing states have used to attract foreign business may not now be considered the best bargain by investors.

"The changes in Eastern Europe will obviously have an effect on private flows to developing countries," said Mr David Suratgar, group director of Morgan Grenfell. "If companies from the Far East, for example, which are contemplating investments feel they can get a better deal by going into Eastern Europe, then they will."

"Eastern Europe will be more attractive for direct investment and capital flows," Mr Sandiford concurred. "This will mean the diversion of resources from developing countries to Eastern Europe."

Developing countries are likely to be forced to take different approaches to ensure they continue to get aid.

Officials have spoken with disappointment of the failure of the countries of the Organisation for Economic Co-operation and Development to live up to an undertaking to provide aid equivalent to 0.7 per cent of their GNP. Some middle-income developing countries have graduated from the group which can get soft money from multilateral institutions such as the World Bank.

Some may take comfort from arrangements such as the Lomé Convention, which guarantees aid and other financial support from the European Community to the African, Caribbean and Pacific Group when national aid budgets are under pressure. Mr Jurgen Koppen, counsellor for development affairs with the EC's delegation in Washington, suggested that the creation of a single European market after 1992 will increase the Community's capacity to dispense aid to traditional recipients.

The Japanese Government, which has committed $50bn in foreign assistance between 1988 and 1992, has concentrated on South-east Asia but has been giving increasing quantities to African countries. Mr Yasumasa Nagamine, second secretary in the Japanese embassy in Washington, said his country's recent contribution of $150m to Poland and Hungary would be followed by more for Eastern Europe.

He suggested, however, that the newly industrialised countries in Asia which have been receiving Japanese aid are about to achieve a level of development which will reduce their dependence on foreign assistance. "When this happens more will go to the developing countries."

Mr Sandiford is hoping that the "peace dividend" – the reduction in expenditure on defence – will benefit traditional recipients of foreign assistance.

However, he is likely to be disappointed. "The pot of foreign aid will not grow any larger," countered Mr Edelman. "The savings from the defence budget will not mean more aid for anyone, but it will mean less reductions for current aid recipients. The Gramm-Rudman budget cuts [in the US] demand this. Savings from the defence budget will be used to reduce the budget deficit."

OVERSEAS NEWS

Thai coalition shaken by row over interest rate

By Peter Ungphakorn in Bangkok

MR Pramnal Sabhavasn, Thailand's Finance Minister, refused to raise interest rates yesterday, defying the wishes of his Prime Minister and the advice of the central bank governor and head of the national planning agency.

The Council of Economic Ministers, which has full Cabinet powers, did agree on other measures in an anti-inflation package, and Gen Chatichai Choonhavan, the Prime Minister, emerged from the tense and at times heated six hour meeting expressing satisfaction at the outcome.

But the issue has severely shaken unity within the four party coalition government and worsaned relations between the Finance Minister and the Bank of Thailand, already at a low ebb. Some Thai economists are seriously worried that the central bank could lose its independence entirely.

The heat generated is now quite ont of proportion to the problem of inflation, currently running at a rate of no more than 5.5 per cent.

Mr Pramual apparently threatened to resign over the interest rate issue and this is said to have persuaded the Prime Minister to accept a compromise solution. Officially, the Finance Minister and the Bank of Thailand are to study again the implications of raising the statutory maximum lending rate from the present 15 per cent to 16.5 or 17 per cent.

However, Mr Pramual, who is an important contributor of funds to Gen Chatichai's Chat Thai party, was given no deadline. He immediately proclaimed triumphantly that the Bank of Thailand is now entirely under his control. He has said repeatedly he will not allow "millions" of borrowers, including small businesses and

Pramual: threat to resign

individuals with home loans, to suffer from higher interest rates.

Thailand's powerful economic growth, with a double-digit growth rate expected this year for the second year running, has led to overheating. An influx of foreign capital, attracted by the booming stock market and land speculation, has added to demand, while strong world prices for rice and other cereals have increased domestic food prices.

Economists are more concerned abont expectations of continued inflation than about the present pace of price increases.

Among tha measnres approved yesterday were the liberalisation of imports such as animal feed ingredients and construction materials; bond issues and other measures to absorb liquidity and limit bank lending; a balanced budget for fiscal 1991 to curb demand; and tax and other forms of discouragement against speculation.

Boat people repatriations to begin

By John Elliott in Hong Kong

HONG KONG is axpected to start its long-awaited mandatory repatriation of Vietnamese boat people to Hanoi today despite considerable international opposition. A plane load of just over 50 people will be the first to go.

This is intended to be the start of a gradual repatriation lasting more than a year of some 40,000 boat people who are expected to be rejected as political refugees in a screening process. The rest of a total of 57,000 boat people in Hong Kong's camps are expected to qualify for resettlement in developed countries.

No comments were available from the Hong Kong Government last night. But it is believed that officials plan to return a large proportion of some 6,400 people, rejected so far as political refugees, within the next few weeks.

This marks a significant political success for Hong Kong whose Chinese population has grown tired of housing the boat people in the cramped colony. Local legislators have refused to vote more government funds to build fresh camps. They hope that the sight of the people being forced to return to their homes will deter more would-be boat people and prevent a repetition of the 30,000-plus who have arrived in the past year.

By authorising the mandatory return, the UK is flying in the face of strong opposition from the US. It is also risking unrest in the camps where there have been violent clashes in recent weeks. The clashes have been partly caused by rising tension over repatriations.

The Government hopes that counselling from staff of the United Nations High Commissioner for Refugees will persuade boat people to accept repatriation without a fight. Vietnam has agreed to take them back provided they are not physically forced onto planes and ships. Hong Kong has been exploring the possibility of chartering large ferries to carry the returnees.

'Colony's best need insurance of passport'

By John Elliott

ABOUT 700,000 to 800,000 passports with full right of abode need to be issued by the UK or other countries to Hong Kong residents if the British colony's economy is to thrive until China regains sovereignty in 1997, according to figures outlined in a report published yesterday.

The report says that the passports should prevent key staff joining the brain drain of 45,000 to 50,000 people a year who are currently leaving, mostly for Canada, Australia and the US, to gain the insurance of a right of abode abroad.

The report, prepared by Price Waterhouse for the Honour Hong Kong lobby group, estimates that economic growth could be stunted because of a shortage of key staff by as much as 45 per cent by 1997 on a cumulative basis.

However, the figures mentioned are far above the levels expected to be offered by the British Government in a package to be announced before Christmas.

The number is expected to be towards the lower end of the 100,000 to 200,000 bracket. This would account for only 25,000 to 50,000 heads of families. A spokesman for the campaign group last night estimated that about 10 to 20 per cent of the 315,000 probably already have passports. This reduces the total to 250,000 to 280,000. There are estimated to be between two and four family dependents per person who also need passports. This means that the report is indicating a need for total number of passports in the 700,000 to 800,000 range.

● Peking officials adopted a bard line yesterday when working parties started 10 days of intensive drafting sessions in the southern Chinese city of Canton on the Basic Law which will form Hong Kong's mini constitution after 1997.

They confirmed Peking's intention to stick to its rights to station troops in Hong Kong and to insert an anti-subversion clause in the law, which would make it illegal for Hong Kong people to try to interfere in mainland politics.

They are also refusing to accept a demand that Hong Kong's chief executive should have sole right to declare martial law.

Demonstrators defy martial law ban with Peking protest

BY Peter Ellingsen in Peking

PEKING residents, defying martial law and an official ban on demonstrations, gathered outside the Ministry of Radio and Television at the weekend to stage the first anti-government protest since the massacre of June.

About 20 people held placards criticising China's economic performance and media censorship, but disbanded before police could move in and make arrests. It is understood the rally was the first of what will be several small, strategic demonstrations aimed at pressuring the Communist Party to adopt moderate political and economic reform.

It is not clear whether the protestors were students or workers, but observers believe the rally was organised by remnants of the May's democracy movement, violently put down when the Peoples' Liberation Army marched on civilians in central Peking on June 3.

According to Chinesa sources several people acted as advance guards to warn of any attempt by security forces to move in. They say the protest indicates that opposition to the Government is far from dead, and will continue on a small scale.

Demonstrators held posters echoing a mild form of the claims made by students during the massive democracy marches earlier this year. One placard read, "Why is this country so poor and weak?" an attack on the Party's economic record, whila another said, "Why can't you make TV programmes that make people happy?" an implied criticism of the media censorship that was at the core of students' discontent in May.

Although the protestors numbered less than 20, a large crowd gathered in apparent support, ignoring five policemen who stood nearby but did not try to intervene. The rally took place as China's leaders were entertaining a special delegation of US envoys, including Mr Brent Scrowcroft, the National Security Adviser, and Mr Lawrence Eagleburger, Deputy Secretary of State.

The suprise visit marked the first high level official contact between the US and China since June's massacre, and could open the way to other western nations, including Australia, moving toward closer ties with China. Canberra, now reviewing its relationship with Peking, will decide later this month whether to maintain the tough line taken in the wake of the army's June 4 slaughtor of an estimated 1,000 civilians.

China's leaders face mounting economic and political problems. With Zhao Ziyang, former party chief, in hospital with heart tronble, there is a fear of renewed protests.

Japan looks at ties with China

By Robert Thomson in Tokyo

THE Japanese Government yesterday began discussing ways of improving its relations with China in the wake of a visit to Peking by Mr Brent Scowcroft, the US National Security Adviser. Tokyo regards the visit as a turning point in the West's attitude to China.

Japan has not wanted to appear out of step with other countries in maintaining a freeze on ministerial contacts with Peking, despite strong pressure from Japanese business for a resumption of political and commercial contacts.

A senior official at the Ministry of International Trade and Industry said that the visit by Mr Scowcroft, which included meetings with most Chinese leaders, would quicken the resumption of discussions on an Y810bn (£3.6bn) soft-loan package that has been frozen since the crushing of the prodemocracy movement.

"The Scowcroft mission is very important," the Miti official said. "We are not sure when the loan talks will resume but the visit makes a difference. We also must take

Scowcroft: Briefed Tokyo on talks with Peking leadership

economic matters into consideration." The official Japanese view on the Chinese economy is not as negative as that of most foreign commentators, and government advisers believe that reports of the return to central planning by Peking have been exaggerated. One adviser said yesterday that "there are things in place that cannot be changed" by the new conservative leadership and that "we expect the economy to improve in the latter part of next year".

Japanese banks have taken a lead from the World Bank in restricting new loans to China, but several Japanese banks have participated through subsidiaries in loan packages organised in Hong Kong. However, an executive responsible for China at one of the largest Japanese banks said that most banks are waiting for a sign from the Government before open lending resumes.

Government officials believe that Mr Scowcroft's contacts with Chinese leaders will allow them to give that sign to private banks, although the Government will be watching whether Washington now encourages the World Bank to fund new projects in China.

Mr Scowcroft was in Tokyo yesterday to brief Japanese leaders on the Malta summit and on his talks with the Chinese leadership, while the Japanese Government was reportedly debating a plan to send its own special envoy to Peking to show that a return to normal relations is underway.

Secret trials of students start

CHINA has started secret trials of Peking students active in the ill-fated protest movement of last summer, which ended with the military crackdown in early June, it was reported from the Chinese capital yesterday, Our Foreign Staff writes.

Six students from the Foreign Affairs College went on trial last month, four accused of "counter-revolntionary" crimes and the other two of theft, though this appeared to be a pretext for prosecution. The trials are closed even to families of the accused, but some reports said that the students had been given sentences of seven to 10 years.

These are the first trials of students who took part in the protests, though some workers and nnemployed labourers have already been tried. The investigations had been highly sensitive since tha Foreign Ministry, responsible for the College, had allowed students to join the protests. Diplomats expect the trials to begin next year of some of the thousands arrested since June and accused of trying to topple the Communist Party.

Discussions fail to resolve $83m debt with Indonesia

By John Murray Brown in Jakarta

INDONESIAN and Chinese officials have failed to agree settlement terms on a $83m debt owed by Jakarta and outstanding since relations with Peking were frozen in 1967.

At talks last week in the Indonesian capital aimed at normalising diplomatic relations between the Far East's two largest countries, the debt issue was left unresolved. According to a joint press statement the issue will be "further discussed by competent experts of the two countries."

Although unlikely to jeopardise the outcome of negotiations, the debt could none the less prove a thorny issue. According to Indonesians the credits were contracted by President Sukarno, Indonesia's first leader, for arms purchases and to finance the political activities of the now banned Indonesian Communist Party PKI. Peking's alleged support for the abortive leftist coup d'état in 1965 prompted the break.

One mooted solution is just to write off the amount. The rest of Indonesia's pre-1966 debt totalling just over $2bn was rescheduled by the Paris Club countries in 1970, and the Soviet Union and Comecon countries the following year.

According to Bank Indonesia the debt to China as at March 1989 was $82.5m, which is believed to include accrued interest payments dne. However, the amount worth around $40m in 1966 dollars makes no allowance for more than 20 years inflation.

Fresh controversy over township 'Trojan Horse'

By Patti Waldmeir in Johannesburg

CONTROVERSY over the role of the security forces in South Africa was fuelled yesterday when 12 policemen and an army officer were acquitted of murder in a 1985 incident in which threa youths were killed.

The acquittal comes in the midst of public concern over allegations that police hit squads have assassinated political opponents of the Government within and outside the country. Legal rights groups estimate that nearly 50 political activists hava been murdered in South Africa in the past 12 years.

Last week, President F.W. de Klerk rejected calls for a judicial enquiry into the charges, prompting anti-apartheid groups to allege a cover-up. In the 1985 incident, police gunmen concealed in crates aboard a delivery truck entered a coloured township near Cape Town in what became known as the "Trojan Horse" affair. When stones were thrown at the vehicle, officers emerged from hiding and fired on the crowd, which inclnded innocent bystanders, killing three youths.

The trial was the country's first private prosecution for murder. It was brought by the father of ona of tha dead youths.

The judge advised police to stop such operations, but said there was no evidence to support allegations that there was a premeditated plan to kill stonethrowing youthe if the truck were attacked.

Anti-apartheid groups divided

BLACK political groups in South Africa yesterday highlighted their differences in the wake of the historic anti-apartheid conference which took place in Johannesburg last weekend, Patti Waldmeir writes.

One of the aims of the conference, which brought together 4,500 delegates in the largest such gathering ever held in South Africa, was to agree a united position to present to the United Nations, which is due to begin a three-day debate on Sonth Africa today. The conference adopted a declaration on South Africa's political future, which is known as the "Harare Declaration", and which is to be presented to the UN for endorsement.

But yesterday, one of the two main political groupings at the conference, the Black Consciousness Movement (BCM), dissociated itself from the declaration.

A spokesman said the group and its affiliates had not voted for the declaration. He noted that it had been adopted by the Mass Democratic Movement only.

Sudanese brutalities condemned by Amnesty

By Michael Holman, Africa Editor

SUDAN'S new military Government is continuing the torture and killing of villagers and prisoners in its campaign against sonthern rebels, Amnesty International, the London-based human rights organisation says in a report published today.

The current regime, led by Gen Omar Hassan el Bashir, overthrew the civilian administration led by Mr Sadiq el Mahdi last June. The civilian government had itself been charged with widespread and indiscriminate killings in the fight against the southern-based Sudan People's Liberation Army (SPLA).

The 34-page Amnesty report corroborates these charges, which were set out early last year in a document compiled by aid organisations working in the country.

Cases of army or militia killings cited in today's report include the shooting of up to 1,000 people in the town of Wau in August and September 1987, the gassing of 60 civilians in Wan in August 1987, and the burning alive of more than 100 villagers in April 1988, in Bahr al-Ghazal province.

The United Nations estimates that 500,000 people may have died in southern Sudan as a result of war and famine since the conflict began in 1983.

Amnesty believes that "tens of thousands" of civilians have been deliberately killed by government-backed militias, the army, and by the SPLA.

The bulk of the report covers the period up to last June. But it makes clear that government killing and torture of civilians has continued. The report also accuses the SPLA of "deliberate killings of prisoners such as government troops and militia captured in combat".

"Sudan: Human Rights Violations in the Context of Civil War," Amnesty International, 1 Easton St, London WC1X 8DJ.

Australia's manufacturers in gloomy mood

By Chris Sherwell in Sydney

NOT ONE Anstralian manufacturer expects an improvement in general business conditions in the next six months, according to the findings of a regular quarterly survey published yesterday.

The findings indicate the industrial outlook is the gloomiest since the country slithered into a recession in 1982, and are a direct result of the Labor Government's high interest rate policy to suppress surging demand.

The survey was done by the Confederation of Australian Industry and the Westpac Bank, and according to Mr Ian Spicer, the confederation's chief executive, it shows that a wrong move now by the Government "could push us over the cliff and into a recession."

Almost three-quarters of respondents predicted a deterioration in the country's business conditions.

New Cabinet setback for Palmer as support erodes

By Terry Hall in Wellington

NEW ZEALAND'S Labour Government suffered two setbacks yesterday. The first was the surprise announcement of the resignation of Mr Stan Rodger, the Minister of Labour and the second, a sharp slide in the opinion polls.

Mr Rodger is the fifth and most senior minister to say he will not seek nomination in the general election due next October. His decision is being linked inevitably with the party's slide in popularity in opinion polls, although Mr Rodger was able to produce unusual evidence that he planned to go from February last year.

He then handed the editor of the Otago Daily Times a sealed envelope containing his resignation statement, with the instruction he would say when it was to be opened.

Others who plan to quit are Mr Roger Douglas, the Minister of Police, and former Finance Minister, Mr Bob Tizard, the Minister of Defence. Mr Russell Marshall, the Minister of Foreign Affairs and Mr Colin Moyle, the Minister for Agriculture.

The retirement of five such senior ministers is putting increasing pressure on Mr Geoffrey Palmer, the Prime Minister, to restructure his Cabinet. He said yesterday that he would consider this early in the new year.

Mr Rodger was a close supporter of Mr David Lange, the former Prima Minister. As Minister of Labour, he oversaw important industrial reforms, and was given the additional responsibility of selling state assets. He will be a big loss to Labour.

The latest National Business Review-Radio NZ poll says that if an election were held now, 46 per cent would vote National, 26 per cent Labour and 19 per cent did not know. Labour had scored 36 per cent in the previous poll.

Jordan to pursue path of reforms

JORDAN'S new Government, formed after the first general election in 22 years, has signalled plans to press ahead with damocratic reforms in response to popular demand, Reuter reports from Amman.

Mr Mudar Badran, the Prime Minister, has told parliament he is willing to lift martial law, in force since the 1967 Arab-Israeli war. He pledged to end restrictions on travel and employment, saying passports confiscated by security forces were being returned to their owners.

"This is a fantastic step," said Ms Leila Sharaf, the only woman member of the royally-appointed senate. "We hope it's a new trend in all the Arab world. I know we will see more democratisation and I hope there will be no obstructions to this new orientation," she said.

Syria-Egypt air deal

Syria, the last Arab country to hold out against improving ties with Egypt, has agreed to resume air traffic between Cairo and Damascus, Max Rodenbeck writes from Cairo. The move marked the latest success in Egypt'e efforts to reforge links with Arab neighbours damaged by the signing of a peace treaty with Israel in 1979.

Of all the Arab states, only Libya and Syria have yet to reopen Cairo embassies.

Hostage swap

Tha kidnapped daughter of India's newly appointed Minister for Home Affairs was last night expected to be released soon in exchange for five terrorists under an agreement worked out between the Indian Government and the Kashmir Liberation Front, David Housego reports from New Delhi. An official spokesman said a "broad agreement" on the exchange of Dr Rubiya Sayeed, daughter of India's first Moslem Home Minister, had been reached with the front.

Finance Secretary

Dr Bimal Jalan, former chief Indian government economic adviser and now an executive director of the IMF, was yesterday named Finance Secretary and thus senior civil servant in charge of economic policy.

World Bank's $10bn plan to stem Bangladesh flood danger

Annette Bingham and **Reazuddin Ahmed** report on an international effort to save the world's biggest river delta

ONE third of Bangladesh, more a river delta than a country, disappears under water every time there is a serious flood and that much of the country could be lost forever if global warming results in a one-metre rise in the sea level.

The danger to this country of more than 100m people was dramatically highlighted during catastrophic floods in 1987 and 1988.

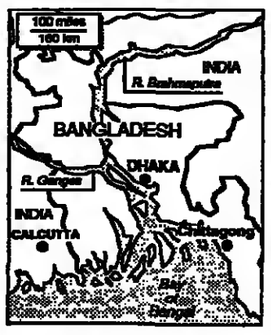
This week the country's aid donors end aid agencies are meeting in London to consider a phased effort to save Bangladesh from floods in a programme which could cost a total of $10bn or more over two decades.

The conference, organised by the World Bank, is expected to approve an Action Plan which starts with an intense programme of pilot schemes and studies costing aboot $150m. These entail detailed hydraulic investigations for three of the world's most powerful rivers – the Meghna, the Ganges and the Brahmaputra; and pilot schemes for controlled flooding which will allow traditional flood plain agriculture to be intensified. Bangladesh is the biggest delta in the world, with 55 rivers, originating from India, passing through the country.

The flood problem has become acute over the past few years as silt builds up in rivers which carry millions of tons of alluvial soil from the Himalayan region. Deforestation in India, Nepal and Bangladesh has also increased the intensity of the floods.

The studies, paid for mainly by grant aid, are expected to identify a pipeline of projects costing about $500m, which could be implemented under the 1990-95 Five Year Plan. These would be followed by a phased flood protection programme, involving large-scale embankments on the main rivers, which could take 20 or more years to complete.

The countries which would be asked to finance the initial studies and works – Japan, the US and the European Community conntries – seem ready to accept that the World Bank should co-ordinate the programme. This means that,



while individual countries would be able to "adopt" schemes which they consider to be of high priority, the projects would have to be integrated into the overall plan and approved by World Bank technical staff.

Technical experts from the various countries have already begun to co-operate on the programmes. For the past six months, a representative team has been meeting under the chairmanship of William Smith, a Bank division chief, to hammer out the plan to construct embankments along the main rivers. The programma would allow for plans to be altered as new technical evidence is weighed and national priorities change.

The decision on whether or not a comprehensive system of embankments should be built will be influenced by the number of serious floods in the next few years; and by projected assessments of likely rises in sea levels due to the greenhouss effect. Priority embankments would be the Brahmaputra left embankment and the Ganges right, on which work could start, if approved, as early as 1992.

Bangladesh would eventually have to decide whether to divert funds to flood projects from other sectors, such as industry or social services, as the amount of foreign aid is limited. If tha ambankments are built, money would also be needed for annual maintenance, which could cost $150m or more.

As well as these financial considerations, many social and environmental problems would have to be faced. Steve Jones, the EC's adviser on the World Bank team, says about 180,000 people living on 20,000 hectares of the land which would be requisitioned, would be affected if large embankments go ahead. Some of these people would have to be taught new skills and found alternative employment.

The effect on fisheries is also a subject for detailed studies. Bangladeshis obtain most of their animal protein from fish which feed in the flood water; disruption of the fisheries would cause severe problems.

Many of these considerations are discussed in the four flood study reports from which the Action Plan has been distilled. The reports, commissioned following record floods in 1988, by the United Nations Development Programma (UNDP), France, Japan and the US, looked at what can be done within Bangladesh to limit the risk of living in the Ganges-Brahmapntra-Meghna flood plains. Their recommendations were far from unanimous.

A French team of 30 engineers, working with Bangladeshi experts, produced a comprehensive feasibility study for 4,000 km of high embankments along the rivers to channel floodwater through the country to the Bay of Bengal. The study, undertaken following a visit to Bangladesh by Mrs Danielle Mitterrand, was well-received in Dhaka but shocked many experts with its $10bn proposals which would take 20 or more years to implement.

Embankments on a slightly smaller scale featured in the UNDP report drawn up by an international team, led by Mr Jim Dempster, a British water resources specialist. The team included senior engineers from the Bangladesh Water Development Board as well as foreign experts such as Mr Wibrand van Ellen, Professor of Hydraulics at Delft, in The Netherlands, who initiated the idea of controlled flooding taken up in the Action Plan.

Japan, which is the biggest bilateral donor to Bangladesh, asked its own nationals to study the problem. They were far less enthusiastic about long, continuous river embankments. The Japanese are already funding flood protection works for Dhaka, the capital, and the report acknowledged the importance of protecting important cities. It warned, however, that embankments will require caution and a most careful study. They will take a long time to build and will be costly both to construct end maintain.

Least encouraging of all for Bangladesh's embankment lobby was a paper prepared for US AID by Harvard university which said: "The drawbacks of such an investment are extremely large. Embankments will cut the country off from many of the beneficial effects of the monsoon – but they will pay back their massive investments only in relatively rare years of high flood."

All the signs are that work under the Action Plan will start early in 1990, with the first two years being taken up by project preparation and designs, except for greater Dhaka, where work is already in progress. Construction work would be under way elsewhere by the end of 1992.

H_2OW?

US to take top exporting slot from West Germany

By William Dullforce in Geneva

WORLD MERCHANDISE trade will grow by 7 per cent in volume in 1989 and the US is set to regain from West Germany ite ranking as the biggest exporting nation, Mr Arthur Dunkel, Gatt director-general, said yesterday in his annual report.

Althongh the growth was slower than 1988'a unexpectedly strong 8.5 per cent, it will still be the third best performance this decade. It also marks the fourth consecutive year in which trade has expanded at a significantly faster rate than world prodoction. The Gatt economists expect outpot to increase by 3 per cent in 1989.

The difference demonstrated how trade was a driving force behind the present prolonged expansion of the world economy, Mr Dunkel said.

Indications are that trade in capital goods, notably machinery and transport equipment, has been particularly strong for the second year running. Japan, West Germany, the UK and the US have all seen above-average increases in capital goods on both the export and import sides.

A 15 per cent climb in the valoe of US exports in the first nine months – more than double the increases in the dollar values of Japanese and German exports – appears to have regained for the US the top spot in the exporters' table that it ceded to West Germany in 1986.

Arthur Dunkel, Gatt director general

However, the reduction in the US trade deficit has lost momentum this year.

The 15 per cent increase in exports marked a sharp deceleration from the 29 per cent growth recorded in the first nine months of 1988, while import growth slowed down only marginally, from 9 to 8 per cent. Mr Dunkel's report highlighted Asia's increasingly important role on the trade scene.

Trade flows within Asia and between Asia and other regions continued to expand much faster than overall world trade in the first half of 1989, according to the available data.

By nation and by value the fastest trade growths (exports plus imports) in the first half were recorded by Thailand and Malaysia.

Mexico, which has come to terms with its creditors and started on a complete market-oriented restructuring of its economy, achieved a 15 per cent increase in export earnings in the first half, dne mainly to higher revenues from oil products and a continued good performance by its industrial processing zones.

The growth in Mexican imports, 52 per cent in 1988, continned to exceed that of exports by a substantial margin in the first six months of 1989.

Mexico is currently regarded as a model for Gatt principles, having drastically cut its import tariffs and reduced to 20 per cent of overall import value the number of products subject to import licensing.

Silicon Valley tires of the old American way

Louise Kehoe examines US demands for intervention in the microchip industry

EUROPEAN government ministers used to visit Silicon Valley in search of its secrets of success. How, they asked, could the entrepreneurial spirit that has created thousands of jobs , economic prosperity and technological superiority be emulated in Europe.

Today, the boot is on the other foot. As the US semiconductor industry struggles to regain its international competitiveness, industry leaders are looking to Europe and Japan for a model upon which to base their efforts.

What these California industrialists have found, and what they are urging the US government to imitate, are foreign governments which, recognising the long-term economic significance of strength in semicondnctor technology, intervene to support and protect those industries. It is a sharp contrast with the "free trade" thinkers of the Bush Administration.

During the Reagan years the chip makers enjoyed a favoured status in Washington. As the suppliers of critical technology to the military their trade problema won a sympathetic hearing, and a pro-active response.

A lot has changed since then. The Defence budget is no longer immune to cuts, in the light of progress in US Soviet relations. The White House is influenced, more than ever before, by economic advisers who have examined the thesis of a "strategic industry" and rejected it out of hand.

High-tech competitiveness has become a political football, to be kicked around between the Republican Administration and the Democratic led Congress.

In the midst of this, the industry that was for so long tonted as the prize example of American entrepreneurism is turning against the values that it has come to represent: US semiconductor industry executives maintain that their current trade problems with Japan, and emerging problems in Europe , make government control of semiconductor trade essential.

"Unfortunately, we are already headed in that direction," says Alfred Stein, chairman and chief executive of VLSI Technology, a Silicon Valley semiconductor manufacturer. Japan, he notes, has long been a "closed" market and is only moving slowly , under government control, toward open trade. In Europe, the trend is toward protectionism, the US chip makers fear.

"We in the US have to find ways to counterbalance these trends," he suggests. In the past, the US approach has been to try to impose its free-market rules on its trading partners by seeking, for example, the elimination of import tariffs ,the opening of the Japanese market and international recognition of intellectual property rights.

These measures have met with limited success. The opening of the Japanese semiconductor market, in particular, is moving far more slowly than US chip makers had hoped. The foreign share of the Japanese market now stands at 11.5 percent, far short of the 20 percent goal set in the 1986 US-Japan semiconductor trade pact.

"We may not be able to continue along the free trade route," says Mr. Stein. Instead, he foresees a "transition period" during which the major trading blocs should balance trade under government controls.

During the Reagan years the chip makers enjoyed a favoured status in Washington. As the suppliers of critical technology to the military their trade problems won a sympathetic hearing, and a pro-active response.

Mr Stein is not alone in questioning the credo of free trade. "I have reached the conclusion that some form of what has come to be known as 'managed trade' is both inevitable and essential," says Mr W.J. Sanders III, chairman of Advanced Micro Devices, one of the leading US chip makers. "In my view managed trade involves a recognition by all trading partners that domination of a vital industry by any one nation is unacceptable.....that no single country can be allowed to build its economy solely on exports while excluding the manufactured products of its trading partners from its own markets."

"We must accept the reality that we are in a period of adjustment," says Mr Stein. The three major trading blocs should reach an agreement upon trading rules and how to enforce them, be suggests.

Mr Wilfred Corrigan, chairman of LSI Logic and chairman of the Semiconductor Industry Association, an influential trade group, takes the argument a step further. "If the US doesn't manage its semiconductor trade, then our trading partners are going to do it for us."

Persuading the Bush Administration to adopt a "managed trade" approach may, however, prove difficult. Through a series of recent actions, including the rejection of proposals by the National Advisory Committee on Semiconductors to increase government spending on collaborative industry research, the White House had made it clear that it means to let "free market forces" dictate the future of US industry.

Even within the industry there are some who maintain that the government's role should be confined to "macro-economic" issues. "It's time for a fresh look at how the Government can support our electronics industry," suggests Mr T.J. Rodgers , president of Cypress Semiconductor. "Government "help" often backfires and injures the very industries it attempts to assist," he argues. The US government should stand by and "bravely do nothing," he asserts.

Within the ranks of those who advocate "managed trade" there is little agreement on what form it should take. Some, for example, reject the idea of import quotas outright, while others look for some form of "reciprocal market share" arrangement between the major trading blocs.

Later this month industry leaders will meet to hammer out a consensus on public policy issues including trade and competitiveness.

Increasingly, they see their biggest challenge in winning support from their own government, rather than in persuading foreign governments to enable them to compete on "fair" terms.

Portugal unveils $85m in motor investments

By Patrick Blum in Lisbon

THE Portuguese Government yesterday anounced agreement on two investments in the motor industry totalling $85m.

General Motors, the US automotive group, will set up an Esc9bn ($56m) automotive electronics plant on a green field site in Setubal, a major industrial development area just outside Lisbon.

The deal was to be signed yesterday between GM, Delco – GM's car electronics subsidiary – and the Portuguese Government. The GM plant will manufacture electronic ignitition systems, the bulk of which will be exported.

Initial estimates suggest that exports could be worth about Esc20bn a year. The facility is set to begin production by Autumn next year and employ some 500 workers.

In a separate deal, the Valmet Corporation of Finland, is setting up a joint venture to manufacture tractors and tractor parts with IPE, a Portuguese state-owned holding company. The investment will be over Esc4.2bn. The plant will also be based in Setubal to produce 5,000 tractors a year by the time it reaches full production capacity in 1994. Seventy per cent of production due to start early in 1991 will be exported.

Mr Luis Fernando Mira Amaral, the Industry and Energy Minister, stressed the importance of the Valmet joint venture which he said would help to diversify Portugal's industrial structure to face the challenge of the European integrated market after 1992.

The two deals received substantial incentives from the Portuguese Government. The Valmet project is being helped with government subsidies representing 36 per cent of the total investment. The amount of subsidies for the GM plant has not been disclosed.

Yesterday's anouncements bring to three the number of major automotive investments in Portugal this year. In June, the Ford motor group said it was investing $120m to set up a car audio equipment plant in Setubal.

● Foreign investment in Portugal more than doubled in the first nine months of this year compared with the same period in 1988, the Trade Ministry said this week. At the end of September, total new foreign investment reached Esc188.36bn compared to Esc91bn for the same p eriod last year. New investment from the European Community amounted to Esc140.8bn or 73 per cent of the total. Britain maintained its first place with Esc49bn or 26 per cent of the total, followed by France with Esc35bn (18 per cent), Spain Esc21bn (12 per cent) and Brazil with Esc13.4bn (6 per cent). Direct manufacturing investment almost doubled to Esc40bn for the period.

Polish shipyard joint venture hits problems

ONE of Poland's largest planned joint ventures has run into difficulties, Christopher Bobinski reports from Warsaw.

Kvaerner, the Norwegian shipbuilding company which purchased the Govan shipyard in Scotland last year, and Poland's Paris commune yard in Gdynia, applied last month for permission to establish a joint venture in which each will hold a 50 per cent share.

They have now been told by the Polish Government that the capital stock to be put in by the Gdynia yard must undergo independent valuation, threatening a long delay.

Valuation of capital assets looks set to be one of Poland's greater headaches as the Government embarks next year on its ambitious privatisation programme.

Kvaerner and the Gdynia yard agreed figures on the value of the latter's contribution over several months of negotiations.

Franco-German group in Soviet PWR link-up

NUCLEAR Power International, the Franco-German nuclear joint venture, is examining working with the Soviet Union on developing new types of pressurised water reactors for future Soviet energy needs, David Marsh reports from Bonn.

NPI, which pools PWR technology between Siemens of West Germany and the French company Framatome, said it had set up a joint working group with the Soviet Union to work out the details of co-operation.

Siemens, through its reactor division Kraftwerk Union, has been in contact with Moscow for several years in a bid to forge a collaborative alliance in building and equipping Soviet nuclear plants, particularly in the safety field.

Siemens recently won a small order from the Soviet Union to fit monitoring systems to 30 Soviet PWRs to improve safety standards.

Sales of cassette tapes withstand CD challenge

By Michael Skapinker

WORLDWIDE sales of long-playing vinyl records continued to decline during 1989, but cassette tapes appeared to withstand the challenge of compact discs, according to the International Federation of the Phonographic Industry.

World sales of all sound recordings this year are expected to show their smallest rise in value terms since 1985, the federation said. Projected sales for 1989 are $23bn, an increase of 13.3 per cent on the 1988 figure of $20.3bn. Sales in 1988 had been 19.4 per cent up on the previous year.

The federation's projected 1989 figures show that unit sales of long-playing records were 460m worldwide. This is a 9.8 per cent fall on the previous year.

Unit sales of cassettes this year were a projected 1.6bn, a rise of 15.1 per cent on last year. This was a smaller rise than the previous year when cassette sales had increased by 20.9 per cent.

Worldwide 1989 sales of compact discs were a projected 560m, a 37.5 per cent increase on last year. Sales of compact discs in 1988 were 53.9 per cent up on the year before.

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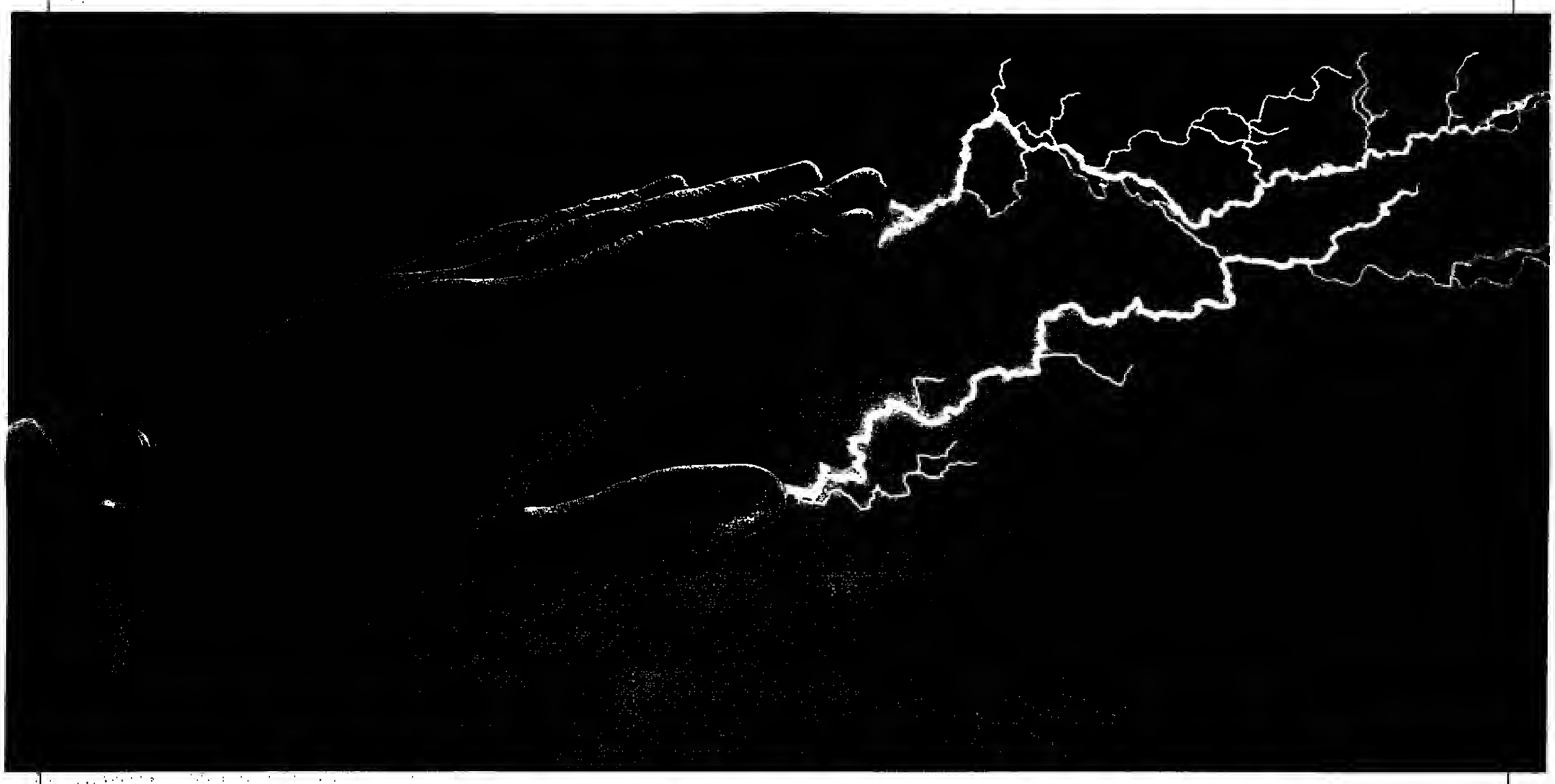

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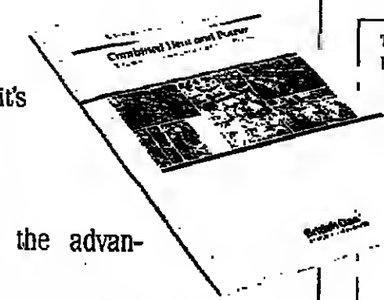

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F.T. 3

Kinnock heads off threat of damaging byelection

By Ralph Atkins

THE LABOUR Party opposition yesterday headed off a damaging byelection contest threatened by Mr Frank Field, the MP for Birkenhead, near Liverpool, who on Friday failed to be reselected as the party's candidate in the constituency.

Mr Field announced that he would not force a contest following a 90-minnte meeting with Mr Neil Kinnock, Labour leader, at the House of Commons. He had warned that he might stand as an independent.

The Labour leader promised that evidence of infiltration by Militant, the extreme left-wing gronp, into the Birkenhead party or "impropriety in the conduct of the selection process" would be "fully investigated and appropriate action taken".

In a joint statement, Mr Kinnock was also sympathetic to Mr Field's criticism of the 40 per cent of votes held by trade unions in reselection contests. A number of changes to party rules already under consideration are expected to be debated at its 1990 conference.

Neil Kinnock

Mr Field's decision will come as a relief to the Labour leadership which is anxious to build on its lead in opinion polls and maintain its newly won, if fragile, image of internal harmony.

However, the embarrassment could resurface if Mr Field is not satisfied by the party's internal inquiry, likely to be completed early next year.

Mr Field, chairman of the House of Commons' Social Services select committee, is highly regarded as an "independent thinker" within the party. On Friday he lost the Birkenhead nomination to Mr Paul Davies, a Transport and General Workers Union official.

He easily won the support of ordinary members in the constituency but was defeated heavily in the trade union section.

The joint statement emphasised that "material relevant to the selection in Birkenhead was being examined by the party organisation as part of the normal checking procedure and the usual full report would be made."

Mr Field said it would be to Labour's advantage if changes to selection procedures could be achieved rapidly. "Mr Kinnock said that he shared the ambition for change and for accomplishing change as quickly as possible within the provision made by the Labour Party constitution for making constitutional change," the statement added.

Lord Elton resigns following long dispute

By Eric Short

LORD ELTON is to resign as chairman of Fimbra, the troubled self-regulatory organisation which represents independent financial advisers and smaller investment managers, after an acrimonious dispute with its members.

Lord Elton announced yesterday his intention to retire as early as possible next year from the leadership the Financial Intermediaries, Managers and Brokers' Regulatory Association.

He said yesterday he was making way for a leadership which would have "a closer understanding of what life in our sector of the market is really like".

In a letter to Mr David Walker, chairman of the Securities and Investments Board, Lord Elton stated his intention to give notice of his impending retirement to Fimbra's Council immediately after tomorrow's Annual General Meeting.

Lord Elton has spent much of the past few months at odds with the six trade associations which make np Fimbra. This dispnte was ostensibly over compulsory professional indemnity for members, bnt *reflected an underlying hostility* to Fimbra's whole operation. It culminated in a resolution being laid down for tomorrow's AGM to remove Lord Elton as chairman.

However, last Friday, it was announced that the dispute had been resolved with Fimbra making a number of concessions to the associations, inclnding full consultation, improved communications and a review of Fimbra's operations.

Lord Elton yesterday was adamant that his decision to retire had been taken several months ago.

Nevertheless, Lord Elton in his letter to Mr Walker admits that the events of the past few months have influenced his decision.

He pointed out that on his appointment in 1987, he was told that it was important that the chairman should come from ontside the financial services sector and therefore have no loyalties or prejndices towards any part of it.

Latest salary rise makes Lord Hanson highest paid executive

By Nikki Tait

LORD HANSON, head of the acquisitive British conglomerate, saw his salary rise by almost 24 per cent to £1.534m in 1988-89.

This compares with previous year's £1.239m, and £1.263m in 1986-87. According to the league table of boardroom remuneration compiled by the Charterbouse consultancy, the latest increase would appear to confirm Lord Hanson as Britain's most highly paid boss – althougb accounts from a number of companies with September year-ends are currently in the pipeline.

Yesterday, the company said the rise comprised a salary increase of around 10 per cent, coupled with a higher incentive bonus under the 1987 senior executive bonus plan, which is linked to earnings per share improvements.

In the year to end-September, Hanson's earnings per share, oo a diluted basis, rose by 15.7 per cent. Pre-tax profits, with only a very modest contribution from Consolidated Gold Fields, which Hanson took over in Britain's biggest completed bid, worth £3.5bn, rose from £880m to £1.06bn.

Hanson: 24% pay rise

In addition to his remuneration, Lord Hanson owns 8.55m shares in the company – a stake worth £19.6m at yesterday's closing price of 229½p – with options over a further 3.79m. The dividend, increased by 25 per cent last year, on the shares owned would add a further £726,750 (net of basic rate tax) to Lord Hanson's income.

Lord Hanson's salary is not the highest ever recorded by a director of a UK company; Mr *William Brown of Walsham* Brothers, a Lloyds insurance broker, made over £2m in 1987. However, some of the more celebrated top-paid directors have suffered salary redncti0ns in recent years – most notably, Sir Ralph Halpern at Burton, the fashion retailer. His salary, it was disclosed last month, fell by £97,000 to £899,000 in 1988/9.

The total remuneration of the Hanson directors rose from £6m to £8m last year. However, with the number of employees dropping from 105,000 to 89,000 – following disposals of businesses – total employment costs slipped from £1.17bn to £1.07bn.

The accounts also revealed that around 18 per cent of Hanson shares are now held in held in the US, up from around 16 per cent a year ago. Charitable donations topped £1.6m overall and £1m in the UK. Since the year-end, $1m has gone to the Red Cross Fund for Hurricane Hugo and the California earthquake. Contributions to the Conservative Party were unchanged at £80,000.

Rolls-Royce threatens to lay off workers at plants around Britain

By Michael Smith, Labour Correspondent

ROLLS-ROYCE, the aerospace gronp, yesterday warned of "substantial" lay-offs at plants throughout Britain after manual workers at its Hillington, Glasgow, factory, unexpectedly voted against a deal to reduce working hours.

The company said lay-offs would take place from the end of next week unless the 2,000 manual workers at Hillington changed their mind and agreed this week to end their six-week strike.

The warning came as union leaders decided to halve strike pay for workers spearheading the national campaign for a shorter working week. In future they will be given £60 a week from a national fund, rather than the £125 they have been receiving until now.

Mr Alex Ferry, general secretary of the Confederation of the Shipbuilding and Engineering Unions, said the reduction was necessary because it had become clear that British Aerospace had opted for a long drawn out dispute.

The unions say BAe has either laid off or put on short time nearly 700 workers at Chadderton (Manchester), Dunsfold (Surrey), Filton (Bristol) and Brough (Yorkshire) as a result of strikes by manual workers at Chester, Preston and Kingston Upon Thames.

Like the other two companies whose workers have been striking, BAe has offered talks on 37-hour weeks. Unlike Rolls-Royce and Smiths Industries, however, it has refused to negotiate until the strikes are called off.

The rejection of 37-hour week deal by Rolls-Royce's Hillington workers was motivated largely by dislike of proposals for a nine-day fortnight. Union leaders, who had recommended acceptance, said after the vote that members wanted a 4½-day week, rather than one full extra day off every fortnight.

Rolls-Royce said its offer was final and it was not prepared to negotiate on it. It was the best deal available without damaging the company's prospects.

The company would not say which workers were most likely to be laid off as a result of Hillington workers continning their strike. It is thought, however, that employees most vulnerable inclnde those at Derby, where the company's largest factory is situated, and at East Kilbride, a repair and overhaul plant. Both sites are supplied by Hillington.

The unions' decision to halve strike pay is a high risk strategy as it raises the possibility that strikers will be tempted to drift back to work.

Business welcomes rate reduction

By Richard Evans and Paul Cheeseright

THE larger annual reductions in rate bills announced yesterday for beneficiaries of the uniform business rate in England and Wales were welcomed because of a significant concession made by the Government on the impact of inflation.

The limits previously proposed on the annual rate reductions of 10 per cent for large companies and 15 per cent for small companies failed to take account of the rate of inflation, which would have largely negated the benefit.

Bnt the concessions announced yesterday by Mr David Hunt, local government minister at the Environment Department lifting the limits to 10½ per cent and 15½ per cent respectively, while appearing to be small, are significant.

The department confirmed after the announcement that the benefits would be in real terms, meaning that if current rate bills were used as a base, the inflation rate would be taken into account before the new UBR reduction limits were taken into account.

For the second year, 1991-92, the limits will rise to 13 per cent for big companies and 18 per cent for small ones – much greater than previously expected.

Boost for BR Channel tunnel terminal

By Kevin Brown, Transport Correspondent

BRITISH RAIL'S plans for a Channel tunnel terminal at London's Kings Cross station were given a substantial boost yesterday, on the eve of a crucial decision on the project by a Commons committee.

The committee will decide this morning whether to bow to demands from local authorities and residents' groups for debate on a BR Bill authorising construction work to be delayed for a year.

Critics say the Bill should be postponed nntil November next year, when BR and two private sector partners hope to deposit a separate Bill seeking authorisation of the construction of a high speed line from London to the Channel tunnel.

However, the North of England Regional Consortium, a group of northern local authorities, yesterday petitioned the committee to go ahead with the Kings Cross Bill fearing delays could block the scheme for years.

In Brief

Operations cancelled due to flu epidemic

Many hospitals in the UK cancelled routine operations yesterday because of the lack of staff caused by the influenza epidemic.

The Department of Health said red alerts – under which hospitals cancel all routine operations and deal only with emergencies – had been declared in about 20 health districts.

Languages vital

Mr John MacGregor, the Education Secretary, said yesterday it was vitally important for Britons to master more languages for the 1990s, particularly for 1992 when worker-mobility in a Europe with a truly common market would come into existence.

"If we are to take advantage of these opportunities it will be vital to improve our fluency in modern languages."

No talks at Ford

UNION leaders at Ford, the motor manufacturer, are today telling the company's manual workers that they want to negotiate on pay but that the company has closed the door on further talks.

The message is in a four page newspaper being distributed to the company's 32,000 manual workforce as the unions step up their campaign to achieve a yes vote in industrial action ballots next week.

Guardian pull-out

THE GUARDIAN is expected soon to pull out of talks about buying New Statesman and Society, the political weekly.

In the year to March this year the magazine lost about £500,000 on a turnover of £1.5m, a figure that includes some of the £417,000 losses arising from setting up its own distribution arm, NSD.

Road plans in doubt

The Transport Department is thought to be preparing to abandon many major road building schemes recommended in a series of reports on London's transport problems. The studies provoked strong public criticism over their potential impact.

YES, IT IS LIKE FLYING. (YOU'RE EVEN WARNED WHEN THE AIR-PRESSURE DROPS.)

On the 7th August, 1987, a car sat idling on the Bonneville Salt Flats in Utah.

At 2 o'clock the driver put his foot down hard on the accelerator, took off across the deserted Flats and drove his way into motoring history.

As the speedometer registered 171 mph, the FIA Flying Mile class record changed hands.

And was it a souped-up, specially customized turbocharged racing car that rocketed into the record books?

No it wasn't.

It was a standard road-going Porsche 928 S4.

(The very same car your local Official Porsche Centre could be persuaded to avail you with upon receipt of a cheque for £57,267.)

Of course, to call any Porsche 'standard' is a masterly understatement, the more so when it concerns a 928 S4.

Beneath that long, elegant nose is one of the most powerful engines Porsche has ever inserted into a production car.

A massive five-litre, 32-valve, V8 capable of producing 320 brake horse power, a 0 to 60 time of 5.2 seconds* and a top speed similar to the one that broke the FIA record.

But despite their pride at holding yet another coveted record, Porsche engineers would never accept that the 928 S4 is simply about raw power.

Indeed, since its introduction, when it was the first sports car to be named Car of the Year, they have spent many happy hours worrying away at every aspect of the car's design.

Rethinking, revisiting, refining, almost coaxing improvements from a car as only a Porsche engineer can.

To the point that although the 928 may look similar in body shape from year to year, the S4 is a radically different car from the first 928.

How? Well, take something as radically different as the Automatic Tyre Pressure Monitoring System.

Originally developed for endurance racing cars and the legendary 959, it's a typical piece of Porsche technology (i.e. you won't find it on any other make of car).

On the S4, two sensors 'read' each tyre to evaluate the tyre temperature and, from that, the tyre pressure.

Should the pressure ever approach the minimum safety level, the driver is immediately alerted via the dashboard electronic information system.

But are Porsche engineers really as obsessed by safety as they are by absolute performance?

Absolutely.

Hence the presence of another innovation on the S4.

Cornering at speed in any car can be tricky. When the car is an S4 weighing 1.6 tons, the stresses on the car are considerable, to put it mildly.

Which is what prompted the 928's 'Weissach' rear axle. Named after Porsche's Research and Design Centre, it's been specially developed to automatically counteract natural oversteer during high speed cornering.

Moreover, if one of the back wheels encounters different surface conditions to the other, Porsche's new electronically controlled transverse rear differential calculates, then distributes the exact amount of power each wheel needs to grip the road.

Of course, as you take the corner you will have the comfort of knowing that your braking system is about the most sophisticated on the road.

Ably assisted by the Porsche-developed ABS, fixed aluminium calipers with four hydraulic pistons bring the S4 from 62.5 mph to a halt in 3.3 seconds.

An orderly conclusion which will have been aided by the S4's power-assisted steering, a system which adjusts the amount

928 S4

of power assistance you receive to how much the car actually needs.

Parking, therefore, is a job relegated to your right forefinger. While at motorway speeds, the steering stiffens to give you complete control.

And as you drive along in this remarkable testimony to modern technology, are there no concessions to that side of you which likes to be pampered a little?

Of course there are.

Your seat, the gear lever and steering wheel are all covered in flawless high-grade leather.

The seat also provides you with electrically-controlled lumbar support and is fully adjustable, the 3-position memory control ensuring you always drive in your favourite position.

To make sure your cool is extremely well-kept, the automatic climate control gives you air-conditioning, ventilation and heating at the touch of a button.

While the tempostat cruise control allows you to maintain a given speed above 30 mph, helping you stay more relaxed and, hopefully, more alert on long journeys.

In fact, whatever length journey you make, there really is only one way to travel.

And it certainly isn't by plane.

If you would like to see the car that broke the Flying Mile record, contact your local Official Porsche Centre listed in Yellow Pages.

For further information on the 928 S4, Diplomatic Sales or tax exempt personal exports, contact Customer Relations, Porsche Cars Great Britain Limited, Freepost, Reading RG1 1BR. Telephone 0734 323959. Fax: 0734 303713. Telex 846465. Porsche 928 S4 price at 1st September 1989, £57,267. Car Magazine.*

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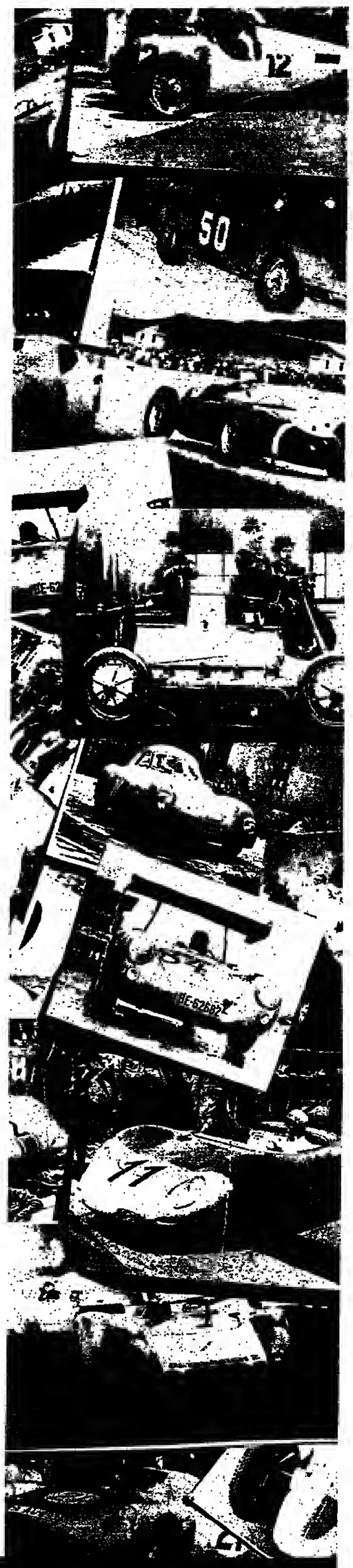
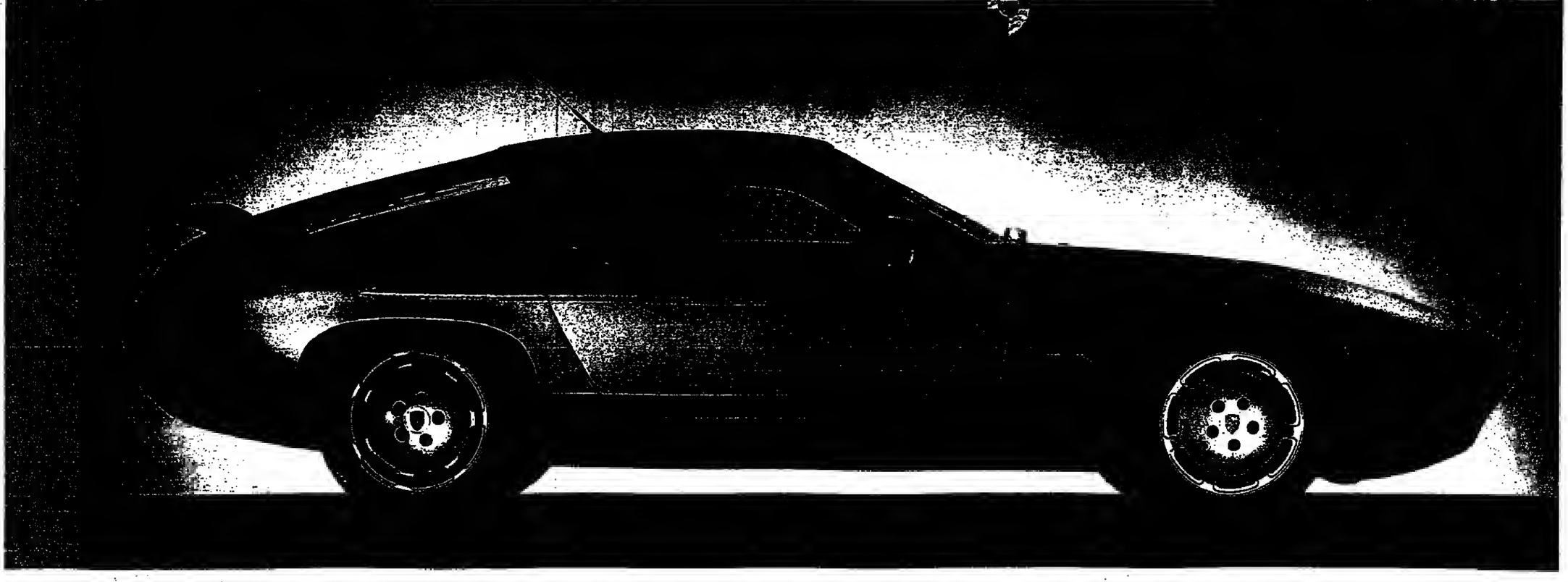
PORSCHE

DRIVING IN ITS PUREST FORM





UK NEWS

Retail sales fall as high interest rates hit demand

By Simon Holberton and Maggie Urry

EVIDENCE that the Government's policy of high interest rates is working to slow demand and to cool inflation came yesterday with a reported fall in retail sales volume and no sign of an acceleration in factory gate prices last month.

Taken together the two sets of data cheered UK financial markets which saw in them clear signs of subdued consumer spending and a reluctance by industry to raise its prices in the face of weak demand.

The Central Statistical Office said that manufacturers' factory gate prices rose 0.2 per cent in November to stand 4.9 per cent above the level of a year ago. Excluding food, drink and tobacco, prices rose 0.2 per cent in the month and were 5.5 per cent higher than a year ago — the same annual rate as in October.

In a separate release the CSO said that the volume of retail sales adjusted for seasonal variations were, provisionally estimated to have fallen by 0.8 per cent last month compared with October.

Mr Gavyn Davies, chief UK economist at Goldman Sachs, said: "I think the trend is clear: finally policy has bitten hard on the consumer."

In the September to November period sales were 0.25 per cent higher than in the preceding three months and 1 per cent up on the same period in 1988. Annual growth of 1 per cent was the lowest since June 1982, the CSO said.

The index of output prices (1985=100) was 120.9 in November compared with 120.6 in October. The index of input prices (1985=100), seasonally adjusted, was 105.6 last month compared with 105.2 in October.

The index of retail sales (1985=100) in November was 120.8 compared with 121.8 in October.

Manchester Airport closed by firemen's action on picket line

By Ian Hamilton Fazey, Northern Correspondent

MANCHESTER Airport was closed to passenger traffic yesterday when nine firemen refused to cross picket lines manned by about 80 of 550 striking baggage handlers. This reduced the firefighting force below the statutory Civil Aviation Authority minimum of 14 needed for passenger-carrying take-offs and landings.

About 300 domestic, European and intercontinental flights and 20,000 passengers were affected. Services were diverted mainly to Liverpool and Leeds-Bradford airports, with airlines ferrying passengers by bus. Freight traffic and training flights carried on as normal.

Talks began late yesterday afternoon to try to resolve the dispute, with officials of the Advisory Conciliation and Arbitration Service (Acas) standing by.

The TGWU general workers union, which represents the handlers, has refused to accept Acas mediation, although the officials have nevertheless been drawing up options that management has presented to the union.

Picket meeting: Euro MPs Joe Wilson, Terry Wynn, Barry Seal and Lyndon Harrison meet strikers at Manchester Airport

The dispute began on December 1 and is over new shift patterns aimed at matching peak cover with peak traffic and reducing overtime.

The new patterns have been worked for four months by 94 temporary handlers. Management insistence that they could transfer to the permanent staff only if they stuck to the new rosters led to the strike. The TGWU says the handlers are willing to negotiate but will not tolerate new rosters being imposed.

Passengers affected by the industrial action included four Euro-MPs whose flight to Strasbourg was diverted to depart from Leeds Bradford airport in Yorkshire.

Reopen pay talks, say ambulance unions

By Fiona Thompson, Labour Staff

AMBULANCE trade union leaders yesterday called on employers to reopen talks to resolve the 14-week ambulance pay dispute before Christmas.

Mr Roger Poole, chief trads union negotiator, said ambulance workers across the country would not accept the Government's 9 per cent 18-month offer. And despite Mr Kenneth Clarke, Health Secretary, describing this as a final offer, Mr Poole said "it can not be final if all of Britain's ambulance staff have rejected it."

He warned it was important to resolve the issue before Christmas because services would be stretched "beyond limits" over the holiday.

The Department of Health said Mr Poole appeared to be demanding a fresh offer as a precondition for talks and reiterated that its offer was final.

Personal communicators, the network for the future and how they work

THE personal communicator is designed to be a telephone small enough to be carried in a pocket. It would cost about £200 and calls would be little more expensive than ordinary telephone calls, writes Hugo Dixon.

Miniature size and relatively low cost will be the main features distinguishing personal communicators from the current generation of cellular phones. Their ability to make and receive calls from virtually anywhere in the country will distinguish them from telepoint, the pocket-phone system recently introduced in Britain which can only be used for outgoing calls and requires customers to find a radio station from which to make their calls.

As they develop, personal communications networks are alsolikely to incorporate:

- Personal numbers, which will be carried on computerised plastic cards called smart cards. People will be able to insert their smart cards into any phone they wish, automatically letting the network know where to find them.
- Call diversion and barring. Users will be able to divert calls to any extension in the country with ease, and control how the phones are used. Children, for example, may be given personal phones but only allowed to use them for making local calls.
- Multiple rings. Each phone could incorporate several different ringing tones. One could let the user know that the call was personal, another that it was a routine business call and yet another that it was the chairman on the line.

Mobile telecoms prove to be a roaring success

Hugo Dixon on the future of the cellular sector

WHEN British Telecom was privatised five years ago, almost all the attention was given to the competition that would be provided by Mercury Communications, its only rival for fixed telephony. Hardly anybody gave much thought to mobile communications.

In the event, mobile communications have been a roaring success while Mercury has been *something of a disappointment*. Britain's two cellular operators - Vodafone, owned by Racal Telecom, and Cellnet, a BT subsidiary - now have almost 800,000 customers between them. The density of mobile phones in the UK is about five times as great as in France and West Germany.

Yesterday's announcement by the Government of three new personal communications licences is likely to make even the stunning growth of cellular up to now seem rather prosaic. Analysts predict that there could be as many as 10m users of mobile phones - a category which includes both personal communications and cellular - by the year 2000.

One of the new licences has gone to Mercury PCN, a consortium led by Mercury, which also includes Motorola of the US and Telefonica of Spain. The Government felt Mercury needed a mobile licence if it was to compete effectively against BT.

The other licences have been awarded to: Unitel, a consortium comprising STC and Thorn EMI of the UK, US West and West Germany's Bundespost; and a consortium led by British Aerospace, which also includes Matra of France, Millicom of the UK, Pacific Telesis of the US and Sony of Japan.

The reasoning behind the Government's personal communications initiative is that competition will lead to an expansion of the market. The success of mobile in the UK by comparison with other European countries, which have only recently introduced competition, is pointed to as evidence that competition works.

Nevertheless, under the current duopoly between Vodafone and Cellnet, call charges at 38p a minute are still about four times the cost of using an ordinary phone - meaning that mobile phones can usually only be afforded by business users.

The idea is that competition in the form of personal communications will drive call charges down so that they are *only a small premium above* those paid for using the fixed network. At the same time, advances in technology should allow personal phones to shrink to a size small enough to put in people's pockets.

These developments could mean that personal phones can appeal to the mass consumer market. If people are able to use a mobile phone for only a little more than a fixed one, why would anybody want a fixed one?, the enthusiasts ask.

The launch of personal communications networks is clearly a threat to the existing cellular networks. Vodafone and Cellnet will no longer be able to rely on sharing the mobile market roughly evenly between them. Even more important, if call charges fall as expected, the profit margins cellular operators have grown used to will come under pressure.

Nevertheless, Vodafone and Cellnet have a number of factors in their favour. First, they have several years' start on the new personal communications operators, whose networks are not due to be up and running until 1992. Second, they may be able to segment the mobile market - keeping the bulk of the lucrative business users, while allowing their personal communications rivals to compete vigorously for the residential customer.

Finally, the Government has said that the cellular operators will be able to turn their systems into personal communications networks if they wish. So they should, at least, not be at a disadvantage to the new entrants.

Personal communications will also undoubtedly prove formidable competitors to Britain's embryonic telepoint systems. Telepoint, another phone concept pioneered in the UK, suffers from the fact that it cannot receive calls and that, to make calls, people have to hunt around for a base station.

In the long run, the Government hopes personal communications will compete with BT's ordinary fixed network - *the part of the old* monopoly structure that it has so far had almost no success in cracking. The theory here is that people will be able to swap their ordinary phones for personal phones and that this will provoke BT to improve its service.

Such a threat will, in itself, create pressure for BT to be given more freedom in how it uses its network. The most significant change would be to allow it to deliver television pictures down its cables.

However, before personal communications networks can provide effective competition to existing mobile and fixed networks, much remains to be done.

First, the technology has to be developed. Personal communications will be based on technology which is similar to the next generation of cellular phones. However, there will be a number of differences, such as the frequency on which the phones operate, which will require extra engineering. Some observers think the launch of the new systems will therefore be delayed until 1993.

Second, the winning consortia will each have to invest nearly £1bn in building their infrastructures.

Finally, if personal communications are to benefit from economies of scale it will be important for Britain to convince other European countries that they should adopt the same system. The involvement of Bundespost and Telefonica in winning consortia increases the chances of doing this, but many countries are still sceptical.

Avon police press on with computerisation of offices

By Alan Cane

POLICE in Avon and Somerset are pressing ahead with an advanced office automation system, raising concern about a profusion of incompatible systems among the 43 police authorities in England and Wales.

The Home Office lacks powers to set computing standards for individual police forces, but there is irritation and impatience among forces that it has not done more to provide national guidelines.

Avon and Somerset Constabulary is expected to announce that it has awarded the contract for "Project 7" – which will eventually involve a new mainframe computer and some 500 desktop workstations – to International Computers, the computer manufacturing subsidiary of STC.

Software will be provided by the Sema Group, a Franco-British computing services company.

It is understood that the US companies International Business Machines, the manufacturer of commercial and personal computers, McDonnell Douglas, the aircraft, defence and technology company, and Unisys were interested in the contract.

The price is understood to be about £8m.

David Waddington: power over expenditure

Project 7 will be the UK's most advanced police computer system.

It will attempt to integrate a range of functions such as access to criminal records and the Police National Computer, now handled by separate computer systems.

All inquiries made through the system will be handled in the same way, whichever records have to be examined.

Software will use object-oriented programming, a way of developing computer systems that is barely out of the laboratory.

It would make sense for all police forces to adopt standard procedures for office automation, but a diversity of incompatible systems seems inevitable unlese other police authorities agree to follow Avon's lead.

Mr Gordon Wasserman, the Home Office official with special responsibility for police technology, agreed that there was little logic in each authority's pioneering its own system, but said each police force had considerable autonomy in capital expenditure.

He believed the best approach to police computerisation was through centrally provided compnter services such as the Police National Computer.

Legislation that comes into force in April will give the Home Office, and Mr David Waddington, the Home Secretary, considerably more power over police capital expenditure.

It is feared incompatible systems ordered by differing police authorities could lead to delays and technical problems in the exchange of information as different constahluaries coordinate the fight against increasingly sophisticated crime.

Shell UK plans £60m pipeline on east coast

THE OIL industry yesterday announced its second plan in a fortnight for an East Coast pipeline to boost a private power station in Eastern England fuelled by natural gas from the North Sea.

Shell UK said it was opening talks with landowners about the route of a £60m pipeline to supply natural gas to a power station planned at Shell Haven, Essex, by Shell Exploration and Production and Esso, its North Sea partner.

This follows the creation of a gas pipeline company by Conoco, the US oil company, and PowerGen, the smaller of the two companies due to emerge from the privatised Central Electricity Generating Board.

The company would start by building a £15m – £20m pipeline to move gas from Conoco's Theddlethorpe terminal to PowerGen's power station planned at Killingholme, South Humberside.

A third East coast gas-fired power station also moved a stage forward yesterday when local planning consent was granted to the Canadian-owned Ranger Oil for a 350 MegaWatt plant at South Denes, Great Yarmouth.

Barlow Clowes report may limit pay-outs

By Richard Waters

THE FIRST draft of the parliamentary ombudsman's report on the Barlow Clowes affair is believed to recommend that the Government should pay compensation only to some of those who have lost money.

The investment group, which crashed 18 months ago, left 18,000 people with total losses likely to top £100m.

The report, which examines the Department of Trade and Industry's decision to authorise Barlow Clowes, will be published before Christmas, perhaps this week.

The ombudsman does not have the power to force the Government to pay compensation, but it is thought unlikely for it will ignore his recommendations.

Payment could be eased by the departure from the DTI of Lord Young, who last year claimed that his department's own independent investigation into the affair showed it could not be held responsible.

The report by the Parliamentary Commissioner for Administration, or ombudsman, Sir Anthony Barrowclough, has been in preparation for over a year and is said to be the most complex investigation the ombudsman's office has yet undertaken.

Publication of the report has been held up by the DTI, which spent at least three weeks looking at a draft before sending back its comments last Friday. It is thought likely that Sir Anthony will publish the same draft that was sent to the DTI, without significant changes.

The DTI is only allowed to comment on the facts contained in the report, not the ombudsman's comments on these, although it given sight of the full report. It is understood that the government has pointed to no major factual inaccuracies.

The department intends to publish its response to the ombudsman's report on the same day as the ombudsman, and it says that this will comprise the main responses it has already made to Sir Anthony.

The two most important questions to be answered by the ombudsman's report are whether the DTI had a responsibility for supervising the unauthorised, offshore arm of the investment group, Barlow Clowes International, where most of the losses were made; and if so, how far back the responsibility should extend.

It is extremely unlikely that it will be held to extend back far, given what is already known about the affair from the DTI's internal report.

The key moment appears to have been early in March 1985, when the DTI's solicitor issued a stern warning. Commenting on warnings received by the department, he said that there was a "serious danger that if the matter is allowed to drag on, the department will be held to be negligent if it turns out something is wrong, particularly in relation to new business taken on since we became aware of the possible difficulties."

Solicitors seek amendment to legal reforms

By Robert Rice, Legal Correspondent

THE Law Society is to press for amendment of the Government's proposals for granting solicitors wider rights of audience in the higher courts when the Courts and Legal Services Bill has its second reading in the House of Lords next week.

In a briefing to peers, the society reiterates its support for increased rights for solicitors to represent clients in higher courts, bnt says the model proposed by the Scottish White Paper on Legal Services is more satisfactory than that for England and Wales.

The Government proposes that in England and Wales the Law Society and the Bar will set educational and training standards for members wishing to act as advocates in court. These rules will be subject to the agreement of the Lord Chancellor and the four senior judges. This has raised fears among solicitors that it may give the four senior judges an effective power of veto over rules governing extended rights of audience.

For Scotland, the Government proposes that all properly qualified solicitors ehould be able to plead in the higher courts. Any profeesional requirement inhibiting a solicitor's freedom to prepare and present a case would require the approval of both the Secretary of State and the Lord President, with advice from the Director of Fair Trading.

The society says this model is preferable because "it avoids giving judges even a notional veto over extensions in rights of audience, thus helping to keep them clear of any disputes between the two branches of the profession."

UK energy savings could by up to 60%

By John Hunt, Environment Correspondent

SAVINGS on energy use in the UK could be as high as 60 per cent if the Government gave higher priority to energy efficiency measures a group of peers and MPs will be told at Westminster tonight.

The figures are taken from a report drawn up by the UK section of the International Panel on Climate Change (IPCC) which will report to the Government next summer on the scientific aspects of global warming – the greenhouse effect.

The Association for the Conservation of Energy (Ace), which will present the figures to tonight's meeting, says that investment in energy efficiency measures in the UK is now falling.

The Government has estimated that improved efficiency could cut energy consumption by 20 per cent and result in a saving of just under £8bn on Britain's energy usage of £30bn a year.

This assumes that consumers of electricity, gas and coal use existing fuel saving methods and that such investments would pay for themselves over a two year period.

But the IPCC proposes another scenario which allows a five year pay-back period and makes allowances for advances in energy saving technology. On this basis the cumulative saving rises to 60 per cent.

Mrs Thatcher, the Prime Minister, has said that energy efficiency is the single most cost-effective way of combatting the problems caused by carbon dioxide, which is the main greenhouse gas contributing to global warming.

But Ace complains the Environment Protection Bill, to be published next week, will not contain measures on energy saving. It says that investment is dropping for cavity wall insulation; draught-proofing, double glazing and domestic heating and ventilation control equipment.

Ace calls on the Government to triple the budget of its Energy Efficiency Office which has had its finances halved in two years.

Princess asks business for arts aid

THE Princess of Wales yesterday appealed to big business to take a more active part in sponsoring the arts.

She told an audience of industrialists at the National Theatre in London sponsorship was not only an important source of funding for the arts, it should also be a valuable commercial opportunity.

"The chance to benefit your business, promote your name and your products and services, while at the same time giving something back to the community, must be worth taking."

FT LAW REPORTS

Receivers convey good title

PHOENIX PROPERTIES LTD AND ANOTHER v WIMPOLE STREET NOMINEES LTD
Chancery Division: Mr Justice Mummery: December 1 1989

A RECEIVER appointed by debenture holders by writing, not by deed, can convey good title to charged debenture property if acting in his capacity as attorney appointed under the debenture deed with power to sell land on the company's behalf.

Mr Justice Mummery so held when giving judgment for the plaintiffs, Phoenix Properties Ltd and Picadilly Properties Ltd, on their claim for a declaration that they had acquired good title to a property to be conveyed by them to the defendant, Wimpole Street Nominees Ltd.

HIS LORDSHIP said that on February 10 1983, Bentall Simplex Ltd granted Barclays Bank a debenture containing a fixed charge on property in Essex.

On September 5 1984 the bank appointed receivers and managers of the property. The appointment was made by writing, not under seal.

On January 30 1985 the receivers, acting as attorneys of and in the name of Bentall, conveyed the property to Surreygate Ltd. A deed of release was executed by the bank on the same day, surrendering the property to Bentall free from legal charge.

Bentall was ordered to be compulsorily wound up on April 29 1985. It had not yet been dissolved.

On September 4 1989 contracts were exchanged between Phoenix and Picadilly as vendors, and Wimpole as buyers, for the sale of parts of the property at a total price of £4.175m.

There was a doubt as to whether the vendors' predecessors, Surreygate, had acquired good legal title to the property by the 1985 conveyance.

Special condition K was inserted in the contract for sale, providing the vendors should procure a "confirmatory" conveyance by or on behalf of Bentall, not later than January 1990. Completion was fixed for December 4 1989.

The vendors failed to comply with special condition K. Instead they issued the present summons seeking declarations that they had shown good title to the property, notwithstanding the absence of a confirmatory conveyance; and that the 1985 conveyance had vested the legal estate in Surreygate.

The buyers' main objection to the vendors' title was the absence of a deed appointing the receivers.

The point of law was whether a receiver appointed by debenture holders by writing and not under seal, had power to bind a mortgagor to a conveyance of charged debenture property.

Differing views were expressed in leading works on receivers. *Kerr on Receivers (17th ed) pages 338 and 339* and *Halsbury's Laws (4th ed) vol 39 para 804* stated that a receiver need not be appointed under seal to give good legal title. *Lightman & Moss on the Law of Receivers of Companies, page 49* said a receiver, if he was to execute any deed as agent for the mortgagor company, should be appointed by deed.

The buyers argued (1) that at the relevant time (January 30 1985) there was a well-established "leading" principle of Common Law that "an agent to deliver a deed must be an agent appointed under seal" (see *Powell v London & Provincial Bank [1893] 2 Ch 555, 563*); (2) that logic and policy required the rule should also apply where the agent was empowered to appoint a third person to act as sub-agent to delivar a deed – here the receivers were Bentall's sub-agents appointed by the bank under the debenture; (3) that the intended abolition of that Common Law rule by section 1(1)(c) of the Law of Property (Miscellaneous Provisions) Act 1989 (not yet in force) would not affect the case; (4) that the Common Law rule was not satisfied because the receivers were not appointed under seal.

There had in fact been full compliance with the Common Law rule.

Clause 7 of the debenture deed conferred on the bank a power to appoint a receiver by writing. He was to be the company's agent entitled to exercise all powers conferred by the 1925 Act in the same way as if he had been duly appointed thereunder. Clause 7(c)(iii) conferred a power "to sell . . . any of the property herehy charged."

By clause 8 of the debenture deed the company "irrevocably appoints . . . the receiver appointed under the foregoing provisions . . . to be its attorney . . . to sign seal and deliver . . . any deed . . . in connection with any sale . . . of the said properties."

That power satisfied the requirements of the Powers of Attorney Act 1971.

The effect of those provisions was that the bank was authorised to appoint by writing "any" person to he a receiver. That power was duly exercised on September 5 1984. The receivers were, by the terms of the debenture, irrevocably appointed to be attorneys for Bentall and to act for it in connection with sale of the properties.

A distinction was drawn in the documentation between appointment of a receiver as such, and irrevocable appointment of "the receiver" as attorney for the company.

The former could be made by writing by the bank. The latter was made by the terms of clause 8 of the debenture deed.

The appointment of the receiver as attorney could not take effect unless and until the bank had exercised its power to appoint a receiver by writing, but once a receiver had been appointed clause 8 conferred on him a power of attorney.

It was not necessary for the purposes of that appointment for the receiver actually to be named in the debenture deed. The power of attorney was validly conferred by reference to the office of receiver.

As the irrevocable appointment of the receiver as attorney was contained in a deed executed by the company, it satisfied the Common Law rule requiring appointment under seal.

It followed that Bentall, acting through the receivers duly appointed as attorneys by the debenture deed, made a good legal title to the property in favour of Surreygate by the 1985 conveyance.

Mr Driscoll for the vendors argued that the 1925 Act empowered receivers appointed in writing under hand to exercise a "statutory power" to convey property subject to the charge in the debenture. Section 109(1) entitled the bank to appoint a receiver by writing under hand. Section 101(3) provided that "The provisions . . . relating to the foregoing powers . . .may be varied or extended by the mortgage deed and . . . shall . . . operate . . . as if such variations or extensions were contained in this Act."

The difficulty with Mr Driscoll's argument was in seeing how the power of sale conferred on the receiver was a variation or extension of the powers comprised in section 101. Section 101(3) presupposed the existence of a power which was then varied or extended. There was however, no statutory provision empowering a receiver to sell mortgaged property or to delegate his power of sale to a receiver. The power of sale conferred on the receiver by the debenture deed was not a statutory provision "varied or extended by the mortgage deed."

The effect of the debenture was to create a power for the receiver where no such power existed under the statute, rather than to vary or extend an existing power.

Such power did not therefore, operate as if it were contained in the Act.

The buyer's second objection to the vendors' title was that the receivers had no power to bind Bentall to the 1985 conveyance because, by virtue of the deed of release executed the same day, the power of those receivers to bind the company had been determined.

That argument presupposed that the deed of release was in fact executed before the conveyance was executed.

It was a question of fact.

The evidence did not establish that the deed of release was executed before the conveyance. In the absence of evidence the court was entitled to apply the presumption referred to in *Gartside (1882) 21 Ch 762, 767, 768* – "that the deeds were executed in such order as to give effect to the manifest intention of the parties."

It was clear from the deeds that the parties intended to give effect to an agreement between Surreygate for the sale of the property free from encumbrances.

If the deed of release had been executed before the conveyance, the effect would have been to determine the receivers' power of sale as attorneys under the debenture.

For the vendors: Michael Driscoll (Graham Consitt & Co).
For the buyers: David Iwi (Saunders Bearman Anselm).

Rachel Davies
Barrister

Incorporation

The kudos of being a plc

Hester Thomas examines attitudes of unlisted companies to a change of status

When John Rushton formed his London-based graphic design consultancy in 1977 he chose a company name, so unusual, that once heard he hoped it would never be forgotten: The Small Back Room (originally the title of a 1940s book).

By 1988 the company employed 26 people and had grown to be one of the largest in the field of graphic design. Clients included many blue chip companies and Rushton was keen to pursue more. But "by now the name had a little bit of a jar to it," says Rushton. "It suggested four people working in one small room." In short, he felt it projected the wrong image and might cause the company to be overlooked by the very clients he wished to attract.

He discussed the problem with his accountants, Lee Associates. They suggested The Small Back Room should become an unlisted public limited company (plc) – thus giving the company the status Rushton felt it so obviously lacked. Rushton, who mistakenly thought all plc companies had to be listed on either the USM or Stock Market, liked the idea and in November 1988 the company became The Small Back Room plc.

Before 1980 most companies had "limited" status – an all-embracing title which gave little away about their financial position. With the 1980 Companies Act all publicly quoted limited companies became plcs. Private limited companies retained their limited status. The result was that plc status became associated with companies of a certain size and stature. The directors of many limited companies felt their status was truly limiting; it suggested that in comparison with plc, the company was small and of less consequence.

The Companies Act, however, does not differentiate between plc companies which have floated and those which have not. So a limited company can become a plc and enjoy the stature and kudos previously associated with listed companies. Furthermore, since the company can have as few as two shareholders, the business can be kept "in the family." The Small Back Room's shares, for example, are owned by Rushton and his wife.

Although a company may be incorporated as a plc from its formation, many directors of ordinary private limited companies choose to change the company status once it has been running for several years and is well established. Their reasons for doing so range from a desire for the company to give the "right impression" to the world at large; a need to raise external funding (for business growth); or as the first move to launching on the USM or Stock Market.

Raincoat manufacturer Four Seasons Styles, was formed in 1970 as a limited company and now has 60 employees and a turnover in 1988-89 of £2.4m. It became a

"YOU DON'T LOOK LIKE A PLC."

plc in August 1988. It was moving to better premises in central London, producing higher quality garments and wished to develop in-store concessions. "We thought that in negotiations with buyers and management, plc status would make us sound truly established," says David Lewis, joint managing director.

Harlow Sheet Metal was also founded in 1970. Manufacturers of sheet metal components primarily for the electronics and telecommunications industries, it employs 100 people and had a turnover in 1989 of £4m. In 1986 the company's accountants, Casson Beckman, asked the directors whether they wished to launch on the Stock Market and suggested that plc status would be a good first step down that road. "It would add credibility and create a greater awareness of the company in the public's eye," says Peter Catto, partner at Casson Beckman. It became a plc in November 1987.

Projectlink was formed in 1984 to develop marketing strategies in conjunction with client companies such as TSB and Shell. It has 35 employees and a turnover in 1988 of £4.5m. When Richard Kirk, its managing director, was working on the company's five year plan to expand and develop other companies around the core business, his accountants Berkeley Hamilton suggested plc status as part of that strategy; in June 1989 the company became a plc.

Kirk believes it will help raise the company's presence, project the financial strengths of the business to suppliers and customers, attract the right calibre of staff as well as provide the company with the ability to raise money from the public.

The main requirements for a company wishing to register as a plc are that the nominal value of its allotted share capital must be a minimum of £50,000 of which no less than 25 per cent or £12,500 must be paid up. The company must not have a realised deficit on its reserves. An application must be lodged at the Registrar of Companies together with audited financial statements and various other statutory documents, showing compliance with the Companies Act.

According to Gerry Hopkinson, principal at chartered accountants KPMG Peat Marwick McLintock, plc status can be achieved in as little as three weeks, though usually it takes a little longer, especially when a lengthy audit is needed.

The major element of cost in re-registering a "limited" to a "plc" is for the audit. A sum of £1,000 to £5,000 is not uncommon. This covers the accountant's audit of the balance sheet and associated re-registration costs, including the fee of £50. The cost of designing and printing new letterheads and other items is on top.

All the directors interviewed considered plc status brought advantages. Four Seasons Style secured concessions with John Lewis and Selfridges. David Lewis claims plc status was "one of the factors" accounting for the company's growth.

Rushton, though unable to relate directly a new client gain to his company's newly acquired plc status, nevertheless believes it has brought in business and is partly responsible for a turnover in 1989 of £2m – double that of 1987. Kevin Simmonds, financial manager at Harlow Sheet Metal admits "it is hard to quantify how much we've got out of it," though he believes it has oiled the wheels in dealings with customers and suppliers.

Neither Projectlink nor The Small Back Room could see any disadvantages in being a plc. However, Simmonds reports that Harlow Sheet Metal received "a lot of interest from predators wanting to buy shares." There were no shares to buy but it gave the company a taste of things to come should it ever launch on the USM.

There are other points which could be regarded as disadvantages. Some directors may not wish, or be able, to raise £12,500 as share capital. When raising money from the public (which none of these companies has yet done) they will be subject to the Companies Act and the Financial Services Act governing the issue of prospectuses. There are also greater disclosure requirements. For example, full (as opposed to abridged) accounts must be filed – so providing competitors and predators with more information on the company.

None of the people interviewed felt that by becoming a plc they were in any way presenting a false picture of the company to the world. Although the concept of an unlisted plc was new to many customers and suppliers they remained "happier dealing with a plc," says Simmonds. "It's improved our image and they view us with more respect."

With the exception of Harlow Sheet Metal, all the companies dismiss the USM or the Stock Market as future options. They have achieved all they want: status and respect without relinquishing control.

In brief...

■ **The Government's 13 Small Firms' Service offices handled 281,000 enquiries in 1988/89, an increase of 6 per cent on the year before. Its 336 counsellors (329 the year before) held 43,000 counselling sessions, an increase of 12 per cent, for 30,000 companies (a rise of 10 per cent).**

Fifty-seven per cent of clients helped were involved in starting up in business; 30 per cent were from firms with one to two employees; while 9 per cent employed between three and ten people. The service, currently run by the Department of Employment but soon to become part of the Training and Enterprise Councils network, cost £6.9m compared with £6.2m the year before.

■ **Venture capitalists have tended to concentrate their activities in the south-east of England and neglect the other regions although competition is prompting a number of new funds to set up outside the south-east. A one-day conference in London on January 17 entitled The Regionalism of Venture Capital will look at the latest developments.**

Contact Business Research International, 57/61 Mortimer Street, London W1N 7TD. Tel 01-637 4383.

■ **A total of £48,000 in prize money is available to be won by enterprising entrepreneurs who have set up in business using the Enterprise Allowance Scheme.**

The Enterprise Allowance Scheme – NatWest Awards are open to anyone receiving the allowance between November 1 1989 and February 28 1990. There will be ten regional heats with prizes totalling £3,500 and £5,000 for the overall winner. Application forms are available from NatWest branches and Small Firms Service offices. Closing date for entries is February 28.

■ **A training programme designed to help managers of young companies handle rapid growth will be run by Greater London Enterprise from February. The Accelerated Growth Programme consists of six teaching sessions on Friday afternoon and all day Saturday covering subjects such as strategy, marketing, sales, delegating management and using computers.**

Contact GLE Enterprise Training Centre, 63-67 Newington Causeway, London SE1 6BD. Tel 01-403 0300. Fee £1,250.

Recruitment: a big worry

How to recruit key staff is the main concern of growing businesses. Finding managers in the £20,000 plus bracket is a far more pressing problem than high interest rates or raising finance, according to a study* by Colin Barrow of Cranfield School of Management.

Even when the company has found the manager it seeks, in the majority of cases the appointment is not successful. Sixty per cent of the 200 businesses polled reported a failed appointment in the past two years. In nearly two-thirds of the cases of failure the person stayed in the post for less than a year. The firms polled were on average 10 years old, employed 25 people and had turnover of £2m.

The study showed that 83 per cent of firms rated recruiting key staff as their first or second most pressing priority. Finding customers came second and was the main concern of 59 per cent of respondents while raising new finance was listed by 31 per cent and high interest rates by 27 per cent. Dealing with red tape was mentioned by 21 per cent.

Nearly 70 per cent of businesses polled said they employed people earning £20,000 a year or more, including 15 per cent which employed six or more people in this category. Nearly 95 per cent planned to recruit one or more new key employees next year; this figure included 50 per cent which said they would need more than three new staff at this salary level.

Personal contact was the most popular method of recruitment with 49 per cent of firms using this method. A further 38 per cent used direct press advertising while 20 per cent promoted people internally. Only 11 per cent turned to the files of recruitment agencies while 10 per cent placed press advertisements through an agency. A further 9.5 per cent used an executive search consultant.

Growing businesses were modest in their spending on recruitment; more than 80 per cent paid out £2,000 or less on their latest £20,000 plus employee. But these sums related to external expenditure only and did not take into account executive time taken in the search. One proprietor spent five weekends and a score of evenings chasing up contacts to find sales staff.

Seventy four per cent of proprietors felt they were spending roughly the right amount on recruitment but 16 per cent felt the costs were too high. Nevertheless, the amounts spent contrast with the outlay by large companies which would reckon to pay out 30 - 50 per cent of the first year's salary of staff at this level.

The high – 60 per cent – failure rate of these key recruitments may reflect the fact that the proprietors did not make more extensive use of professional advice, Barrow noted. The initial cost might rise if professionals were used but overall spending would fall if businesses recruited the right person first time.

** Full report to be published in February. Contact Cranfield School of Management, Cranfield, Bedfordshire, MK43 0AL. Tel 0234 751122. £20.*

Charles Batchelor

Business prescription for GPs

Government plans for reform of the health service will force general practitioners to take a more business-like approach to their practices. GPs will have to confront similar management problems to those which face other professional partnerships such as lawyers, surveyors and accountants.

Doctors' earnings will in future be more dependent on the numbers of patients they treat and on attaining targets in areas such as the number of immunisations or cervical smears which they carry out.

These changes, which take effect next April, have prompted strong interest among general practitioners in management skills. About 2,500 GPs have attended "roadshows" organised by BUPA, the largest UK private healthcare group, in recent months. Participants listed financial controls, budgeting, computers, patient relations and staff recruitment and motivation as skills which they needed to acquire.

The ability to communicate with patients – often criticised as a weakness of many GPs – will in future be a marketing tool as well as a means of aiding recovery, according to Paul Burns, professor of small business development at Cranfield School of Management.

Satisfying patients extends to providing a restful and comfortable waiting room with the day's newspapers instead of out-of-date copies of Woman's Own; toys for children and a welcoming receptionist, Burns has told seminar participants. GPs should monitor patient – or customer – responses by means of patient meetings or installing suggestion boxes.

Practice reports, which GPs will be required to issue each year, should convey this "patient-centred approach" as well as providing information on the practice. This is a first step to advertising but GPs must not create expectations they cannot fulfil, Burns has warned.

GPs must also improve their record systems, possibly by computerising record-keeping, in order to demonstrate that they are attaining their government-set targets. The practice's accounts must be monitored and cash flow budgets prepared to allow investment spending to be planned.

These changes will place heavy demands on practice managers who, in many instances, are senior receptionists without formal business training.

It is doubtful whether many of them could be trained to take on broader responsibilities although employing an accountant as a professional, full-time practice manager is likely to prove too expensive for many practices.

The need to devote more time to managing the business may lead to some practices spreading the administrative burden among the doctors – as many other professional partnerships do – but this ents time available to treat patients and may not lead to the most effective management.

The extra menegement demands placed on GPs are expected to lead to an increase in average practice size and to a sharing of manegement resources between neighbouring practices in order to spread the cost of administrative staff and of computer systems, Burns said.

CB

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ARTS

Sculptor with the best of both worlds

William Packer reviews the work of Anish Kapoor at the Lisson Gallery

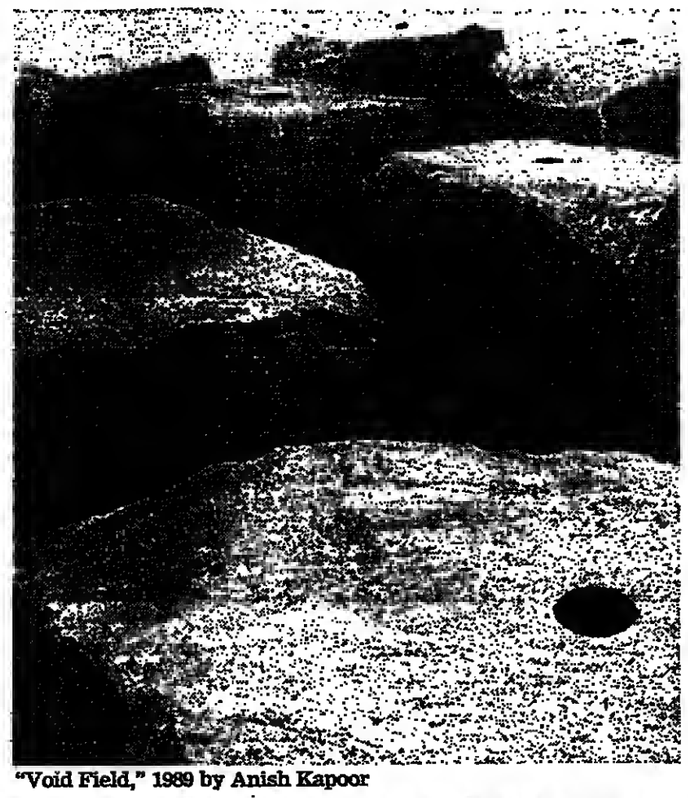
Anish Kapoor, the sculptor who is to represent Great Britain at the Venice Biennale next summer, is Indian by birth but has lived and worked in London ever since he came to the Sculpture School of the Royal College of Art in the mid 1970s. By the late 1970s he was one of that group of successful young sculptors, along with Tony Cragg, Bill Woodrow and Richard Deacon in particular, that Nicholas Logsdail brought together at the Lisson Gallery.

The Lisson Group they might be, in terms of the interest taken in them by the world at large throughout the 1980s, but to be fair to them as artists, it is only their creative independence that they have in common.

As for Kapoor, whose most recent work now fills the Lisson Gallery (67 Lisson Street NW1: until January 4), he has continued to develop in his work, and now at 35 is well into mid career. Yet the more his work has appeared to change, the more it stays essentially the same. For he is that rare artist who can embrace and reconcile the influences of his two cultures, the one in which he grew up and the one in which he was educated and now works. He neither qualifies nor denies either of them, and he remains entirely true to himself. As ever, he offers no excuses, no explanations, but only his work.

The physical presence of his earlier work, with its drenched colour, as if straight from the heaps of dya in the native bazaar, might suggest an immediate reference to India and all things Indian: and his amorphous, abstracted imagery, too, might summon up ideas of all manner of Hindu gods and myths and sexuality. But if that is our response, that is entirely our affair. And always there are the formal considerations of a sophisticated modernism to engage the mind – of weight and surface, shape and mass the imaginative occupation of space. Kapoor has always been able to have the best of both worlds.

More recently, however, the work has grown more ambiguous, the symbolism more oblique. He has moved on from modelling the particular form to carving it in stone, with the result that the work now seems to be at a remove, a certain emotional distance. Where before each densely pigmented object might be held to serve some immediate ritual, now it is as though the object is a relic of some rite or practice far more ancient and mysterious.



"Void Field," 1989 by Anish Kapoor

And it is not just the material that carries with it such atavistic implications. Colour remains as a positive force, only now it is darker, more selective, even hidden in its application. We come upon objects with secret cavities, that might be tombs or sanctuaries, hollowed out and worn away as though by the common, thoughtless usage of centuries. What colour there is remains as dense as ever, but with only the thought of its constant replacement or repair to suggest its first brilliance. We must bring to it all our own secret histories.

The show is of two works: the first, a single piece set alone at the entrance to the gallery, the second a multiple work that fills the rest. "Angel" is extraordinary enough, a large slab of slate lying low to the floor, unmodified in its given form but painted a dense and unmodulated ultramarine. The effect of this deep blue is not to contradict the form itself, but rather to suggest a curiously symbolic weightlessness, as though here might be a dark and fallen angel indeed.

Then, from the top step looking down into the larger gallery, we discover the "Void Field," which is the major work. Sixteen large, irregular blocks of Cumbrian sandstone are set out in rows, each of them roughly four-square in themselves and to each other, and each with a hole, some inches across, at the centre of its uppermost facet. At a distance these black discs seem only to lie on the pink surface of the stone, but close, inevitable inspection shows the dark void within, bevelled away from the narrow rim. So dense and solid it seems, however, that sight must be confirmed by touch, before we can believe that there is indeed nothing there.

There is no physical trick to it, each block merely hollowed out, its interior given the Kapoor treatment in the darkest prussian blue, and then upended. It is the effect that is extraordinary. There they sit, these roughly fashioned, impassive blocks of stone. Yet the marks of the quarrymen's drills and spikes are enough to distinguish them from the purely natural and give them, as individual objects, an unspoken human history. Kapoor it is who brings them together, hollows them out and paints them, to give them their more positive, though no less mysterious archeological presence.

To move through this field of beautiful and seductive stone is an intriguing and oddly disturbing imaginative experience. What are these things, set out like megaliths in a field, or Ali Baba's jars, or funerary urns in an ancient, cemetery? Who knows? Kapoor would be the last to say.

★

Now Karsten Schubert (85 Charlotte Street W1: until January 20) is showing a collection of Celtic Stone Sculptures, weathered and grotesque figures and markers of a truly ancient simplicity and mystery. I have yet to see them directly, but the comparison is irresistible. And at Eskanazi (Foxglove House, 166 Piccadilly W1: until December 22) is the Reach Collection of ancient Chinese ceramics, that includes Tang figurines and equestrian figures of great beauty. But in this connection the earlier painted jars of the Han period, and the later Song and Ming bowls of the utmost simplicity, are the more apropos. As old Sir Thomas Browne has it: "These are sad and sepulchral pitchers . . . silently expressing old mortality, the ruins of forgotten time . . . Great examples grow thin, and to be fetched from the passing world. Simplicity flies away, and iniquity comes at long strides upon us. We have enough to do to make up our selves from present and passed times, and the whole stage of things scarce serveth for our instruction."

John Eliot Gardiner

FESTIVAL HALL

Among many other attributes John Eliot Gardiner must be counted one of the leading "French" conductors of the day. His Sunday afternoon concert of French music – Chabrier, Ravel, Debussy, Poulenc – with the Philharmonia Orchestra and Chorus showed why. It was marked by acute stylistic understanding, sharpness of thought and purpose, and that special focussed freshness of sound which is the *sine qua non* of all four composers on the bill; and it was a success in every way.

The most significant feature of the occasion was the performance of *La Mer* in the new critical edition by Marie Rolf. The editor's programme note told us of at least one thousand corrections to the standard edition; and though most of them were not obvious to this particular naked ear, some startling differences of detail emerged – the abrasive brass-writing, notably for trumpets, sheds new light on the entire musical conception.

The playing itself was of outstanding clarity: there was none of the saturated Big-Orchestra grandiosity which some conductors seek to pump out of the work, but instead a distinctness of line and sonority which proved absolutely revelatory. In the best sense, this performance returned to the work the elusive quality – the sense of images forming and dissolving almost too quickly for the ear to catch – which is an essential part of Debussy's artistic personality.

At the start of the concert Gardiner had already put one Gallomane in the audience even further in his debt by reviving Chabrier's short choral *Ode to Music* for soprano soloist, female choir, and orchestra. It is a piece of Parnassian inspiration – limpid melodic lines joined together with consummate delicacy in a musical frieze – by one of the most lovable and profoundly musical of composers; and it was given here an ideal reading, forward-moving, unsentimental, ravishingly clean in blend of instruments and voices.

The soloist was Lynne Dawson, tender, shining, easy in vocal production – impossible to imagine bettered. She returned for Ravel's *Shéhérazade*, no less purely sung (though a certain sophisticated detachment in the recounting of narrative tended to elude her), and as soloist in the magnificent account of Poulenc's *Gloria* that closed the concert.

Max Loppert

Lynne Dawson

WIGMORE HALL

In the last few years the name of Lynne Dawson has assumed an increasing prominence in the world of period baroque and classical performance. A voice of such uninhibited radiance will shine out among almost any company, but this was the first time she had chosen to give a solo recital in London and her appearance on Friday was thus a keenly-awaited Wigmore Hall debut.

In this venue the voice rings out clear and true, an example of vocal purity on a large scale. (In the bigger songs Geoffrey Parsons felt obliged to give her somewhat heavyweight support.) Although operatic roles by Verdi and Puccini already feature on the soprano's biography, she still gives the impression of having been reared in the period performance tradition and the basic style of her singing follows the strict authentic virtues of clear tone and a direct manner.

As these are welcome features in almost any kind of music, it follows that every item on the programme held the promise of real vocal beauty. The opening selection of songs by Schumann also went a step or two further: the singer softened her tone for the intimate "Das verlassene Mägdlein" and made much of the words in the contrasting songs that she had placed on either side. "Die Kartenlegerin," an old Schwarzkopf favourite, was especially lively.

The bright and forward personality that we know from Lynna Dawson's concert appearances also serves her well in French *mélodies*. But, as the recital continued, one gradually came to wish for the range of expression to expand further. To include, for example, some feeling for the dark sensuality of Duparc that might have made its point more economically than the grand outpouring of tone that the singer chose, glorious though that was in itself.

The programme ended with Richard Strauss. There was not a lot of depth to the speaking of the poems here, but what we did have was Strauss singing of a high standard, negotiating all the technical difficulties of the Brentano songs and bringing the delectable last lines of "Morgen" to a dewy-eyed close. There is a generosity about this singer, both in the way she pours out her voice and her involvement in the music, that is difficult to resist.

Richard Fairman

Anthony Rolfe Johnson

WIGMORE HALL

On Sunday afternoon, Rolfe Johnson's song recital with Geoffrey Parsons was a continuous pleasure. Even with a slight cold (and still bearded like the Pard for his ENO Ulysses), he wielded his most mellifluous tenor timbre with intelligence and grace. His programme was notably rich: Beethoven's cycle *An die ferne Geliebte*, Britten's *Winter Words* and ten of Hugo Wolf Goethe settings – three of the latter entrusted to the soprano Felicity Lott *als Gast*. That indicated unshakeable loyalty on her part (they are both founder-members of the Songmakers' Almanac), for she had to launch into two of Wolf's most hectic songs without any warm-up. She managed well, and better still in the limpid "Als ich auf dem Euphrat schiffte:" but it was odd of the expensive programme-book not to explain that each of her songs belonged to a musically connected "Suleima and Hatem" pair, from the erotico-literary correspondence between Goethe and his poetess Marianne von Willemer. We didn't hear the Hatem plea for mercy to which Suleima's "Hoch beglückt . . ." is the reply, and her perfervid "Nimmer will ich . . ." served as a prelude to Hatem's "Locken, haltet mich gefangen" (with which Rolfe Johnson preferred to conclude) instead of capping it. Why not sing the whole set in order?

That quibble aside, and another too about a few German words that the tenor had clearly misread, the whole Wolf-Goethe exhibit glowed with subtle feeling. So did *An die ferne Geliebte*, though the dreamy tempo at which Rolfe Johnson virtually crooned the opening song did better justice to Jeitteles' poesy than to Beethoven's setting: the eager, varied pulse of the accompaniment became self-effacingly bland, at least as Parsons played it. Did Beethoven *ever* write a self-effacing piano-part? Both singer and pianist were bolder and sharper with *Winter Words*. A friend complained mildly that Parsons' digital treatment of "Wagtail and Baby" proved that he's never watched a wagtail, but I wouldn't know. The stamp of Hardy's wry character bit deep: Rolfe Johnson even ironised his own invincibly sweet tone to make bitter points. Less prissy diction might serve Hardy's plain verses better still – fewer preciously enunciated consonants, and none of "eef" or "heem" or "like a leeveeng theeng;" but in serious effect, this performance missed scarcely anything.

David Murray

Rigoletto

METROPOLITAN OPERA, NEW YORK

I have a British chum who wonders whether people will ever again see one of the old operas straightforwardly produced. At the Met the new *Rigoletto*, produced by Otto Schenk and designed by Zack Brown, is just such a one. The first and third scenes are set out of doors, in the ducal courtyard, but otherwise it is traditional and without eccentricity. Cast after cast will be able to step into it without rehearsal. Act 3 may bring the only hazards: negociating a rather precipitous scene, with a narrow landing-stage out into the Mincio for Gilda to die on. The sats are realistic, picturesque, and quite handsome. They are not 19th-century painted canvas, but built.

Tha three principals were those of the new Decca recording: June Anderson, Pavarotti and Leo Nucci. Miss Anderson was making her Met début. As London knows, she is not exactly a touching Gilda, but she has a thorough command of the role and several times during the evening she stirred me, not by characterisation, hut through chains of notes that, especially iu "Caro uoma," were axqnisitely placed and beautiful in timbre. Her words were rather mushy: a reluctance to sound the letter "d" matters in a role where "padre" is the recurrent word.

Pavarotti, to start with, was curiously hrusque, almost shouty. A grunted "uh" that often preceded an attack of brought a pushed release. But there was some grace and charm in "La donna è mobile," and he was seductive in the quartet. Nucci was arresting. The voice may not flow evenly and be was apt to be cavalier abont pitch, but there was vitality and imaginatiou in phrasing, in the use of words. One listened. The Maddalena, Birgitta Svendén, made no impression. Sergei Koptchak sang Sparafucile in a big, beery bass.

The New Critical Edition was biled. Miss Anderson "stayed down" on "Gualtier Malde" but Pavarotti did not essay a trill at the close of "Parmi veder" (is the edition right, or has a *tenuto* indication been misread?), and he continued to kowtow to 1851 censoraship by ordering "a room" rather than "your sister." Tha conductor, Marcello Panni, seemed to aim at briskness above all.

Andrew Porter

Occesc Dance Company

THE PLACE

A large grey Sci-Fi set, by Giorgio Cattani, spans the stage. It features a drooping curve of six video screens which, during the action, project identical images. Luca Spagnoletti's taped score launches the work with a massive electronic huzz-boom, a doorway opens in the centre of the set and, from a white blaze within white, smoke billows for more than five minutes.

Two women emerge from the smoke and, to left and right of the stage, stretch and thrash robotically on the floor. They wear white smocks, white headbands, white ankle-socks, heeled black shoes and chalk-white faces with a smear of red beneath the eyes.

This is the start of *Tecnicamente Dolce*, by Enzo Cosimi, and it is an effective foretaste of what then follows for an hour. A futuristic chill. A man (Cosimi) joins the women. Staccato; mechanical, involuntary behaviour. No warmth, no spontaneity. The loud score dominates – domineers. The video screens comment. The girls show their knickers; the screens show a close-up of knickers (his too, I think), and his eyes (staring). They are all urchins, voyeurs, creeps.

Later, we see him behind a glass screen, in the inner chamber, where candles burn. There his actions acquire more waves and curves to them, but are no more jolly. From there, he sees the girls strip naked and – holding their dresses, peeled back over their heads – arch back to show us one view and then bend over to show us another. In response, the score (fortissimo) and he (silent) scream. Then all three dancers resume robotic hualness as usual, which involves lots of glares – "Hipocrites lecteurs!" – at each other and at us.

Tecnicamente dolce was performed at The Place last weekend by Occesc Dance Company, which was formed to perform Cosimi's work in 1982. Cosimi, Rachele Caputo and Rita Cioffi are this show's three dancers. Their movement is eclectic – some floorwork, a few ballet steps, some parallel legwork – without being subtle. There are no moves that cohere into interesting phrases, there's no sense of a unifying movement style.

The programme note, by the Italian critic Leonetta Bentivoglio, calls the Cosimi/Occesc style "warm, rich and very physical movement, the hub of a world of dance contalning vivid colours, violent splashes, a vision that recalls the cinema". Apart from the cinema hit, I would reverse that description in every respect.

Italian modern dance had been an unknown quantity to me. This example depressed me for three reasons. The facile dependence on score and set is all too like modern West End musicals and Wayne Eagling's Vangelis choreography for the Royal Ballet. My suspicion that Continental European dance criticism customarily fakes an intellectual seriousness absent from the dance itself is encouraged by the programme material. And the lack of integrity in movement terms recalls all too mnch other dance from elsewhere on the Continent. Thank heaven for Bournonville and flamenco.

Alastair Macaulay

Frans Hals at the Royal Academy

The Frans Hals exhibition currently at the National Gallery of Art, Washington will come to the Royal Academy of Arts, London, next January, sponsored by Unilever. Organised by the Royal Academy, a total of 86 paintings will be shown from January 13-April 8, including 13 paintings not shown in Washington. Tha exhibition then moves of the the Frans Halsmuseum, Haarlem from May 11-July 22.

ABSA Awards: sponsorship is a healthy £30m plus

Few organisations can have such glamorous prize days as the Association for Business Sponsorship of the Arts. The Princess of Wales was at the Royal National Theatre yesterday to present them, looking pretty; Stephen Fry the compère was wise and witty; and the recipients all managed to be fit and a credit to the City.

Sponsored by the *Daily Telegraph* the ABSA awards demonstrated the health of arts sponsorship, now a £30m plus industry, with a tremendous turn out of business tycoons, consultants and arts administrators. The only missing participants were artists, although a new award, sponsored by the *Telegraph*, went to Richard Tilson Thomas, principal conductor of the LSO, for his ingenuity in getting sponsorship for a Rimsky Korsakov opera at the Barbican.

The other winners were: for a corporate programme, Digital, which has spread out from backing dance to helping the arts generally, including the provision of a computer for the RNT box office.

For a single arts project there were two winners: IBM, for its Leonardo da Vinci exhibition at the Hayward, which employed the computer to enhance the artist's drawings; and A & M Hearing, the largest maker of hearing aids in the UK, which sponsored the RPO's Beethoven Cycle on the South Bank.

There were two awards in the Youth section: to British Gas for helping "A Small Green Space," ENO's new opera which linked a "Green" theme and the involvement of children in creating an opera; and to Lloyds Bank for its Young Theatre Challenge, in which the winners perform at the RNT.

The First Time Sponsor Prize recognised three companies: Cala, a housebuilder and developer, whose cash enabled 460 young artists to take working space through Workshop Artists and Studio Provision Scotland (WASPS); London Herb & Spice which sponsored Sunday afternoon concerts featuring the London Mozart Players, introducing a family audience to both music and herbal tea; and Reed International, which moved on from backing Toulouse-Lautrec graphics at the Royal Academy to sponsoring a lavish production of *Il Trovatore* at Covent Garden.

For the most enterprising new venture in any arts medium the winner was London Weekend Television, which finances a Plays on Stage scheme encouraging companies to put on new work. The Arts for the Disabled Award was won by ASW Holdings, which underwrites Hijinx Theatre which tours Wales with productions involving young people with learning and other disabilities.

The promotion of British arts overseas secured prizes for Sainsbury, which took the National Youth Theatre to Moscow, and to Scottish and Newcastle Breweries International division which took young Scottish artists, and Newcastle Brown Ale, to Moscow.

Finally there was the ABSA/BP Award for the nominating arts organisation which has made the best use of sponsorship. It was shared between two Big Names: the Royal National Theatre and the Royal Opera House. The importance of the ABSA awards in encouraging arts sponsorship was shown by the rise in entries, up by 130 to 450.

Antony Thorncroft

ARTS GUIDE

December 8-14

OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of the hideous new production of *Idomeneo* by Johannes Schaaf, conducted by Jeffrey Tate, with Philip Langridge in the title role, and Ann Murray, Sylvia McNair, Elizabeth Connell and Robert Tear completing the team of principals.

Paris

Théâtre des Champs Elysées. Bolshoi Ballet dances *Giselle* (2nd act) and *Spartacus* (2nd act) choreographed by Yuri Grigorovitch (Wed) 47236637).

Amsterdam

Muziektheater. The Netherlands Opera in *Don Pasquale*, conducted by Carlo Rizzi in a production by Renata Ackermann, sung by Henk Smit, Lillian Watson and Peter Bronder. (255 455).

Brussels

Théâtre Royal de la Monnaie. The Monnaie Opera in *Fierrabras* by Schubert conducted by Ingo Metzmacher (Tues).

Vienna

Staatsoper. *La Traviata* is conducted by Fabio Luisi, with a cast ncluding Paul Winsauer, Anna Gonda and Horst Nitsche.

Berlin

Opera. *Samson und Dalila*, produced by Gian Carlo del Monaco, will have its premiere this week with Marjana Lipovsek, Wladimir Atlantow and George Fortune as leads.

Hamburg

Opera. A Hans Sotin Lieder recital, accompanied by Helmut Deutsch with songs by Loewe, Strauss, Graener and Shostakovich. *Zar und Zimmermann* is a well done repertoire performance.

Bonn

Opera. Udo Zimmermann will be conducting his own opera *Die wundersame Schustersfrau*, which will have its premiere this week produced by the East German Christine Mielitz, with a strong cast led by Maria Husmann, Rolf Haunstein, Brigitte Lindner and Christine Obermayr.

Frankfurt

Opera. *Cosi fan tutte* has a first-rate cast led by Margaret Marshall, Mitsuko Shirai, Christopher Robertson and Hans Peter Blochwitz.

Cologne

Opera. *Faust* stars Josef Protschka in the title role. *Die Zauberflöte* has Susan Burghardt, Teresa Ringholz, Dieter Schweikart and Randall Outland as leads. The ballet *Nussknacker und Mausekönig* closes the week.

Stuttgart

Opera. *Der Freischütz* is respectable with Helena Doese, Toni Krasmer and Helmut Berger-Tuna. *Elektra* in Harry Kupfer's production features Anny Schlemm, Eva Marton, Wolfgang Probst, conducted by Garcia Navarro.

Barcelona

Gran Teatre del Liceu. Hungarian State Opera production of La Fiamma, with Montserrat Caballe and Elena Obraztsova in the leading roles; Andras Miko conducts (318 92 77).

Rome

Teatro Dell'Opera. Beni Montresor's production of Verdi's *Falstaff*, surprisingly set in the Po Valley in northern Italy, is conducted by Evelino Pido. (461755).

Milan

Teatro Alla Scala. Pier Luigi's Pizzi's lavish production of Verdi's *I Vespri Siciliani*, with dramatic sets in which Pizzi's favourite colours, red and black predominate. (809126).

Bologna

Teatro Comunale. Werner Herzog's production of Verdi's *Giovanna d'Arco* with Susan Dunn in the title role, Renato Bruson and Vincenzo la Scola, conducted by Riccardo Chailly. Sets and costumes are by Henning von Gierke, who worked with Herzog on *Lohengrin* at this year's Bayreuth Festival (528988).

Florence

Teatro Comunale. An excellent cast for Arrigo Boito's *Mephistopheles*, conducted by Bruno Bartoletti: Samuel Ramey sings the title role, with Alberto Cupido as Faust, Daniela Dessi as Margherita, Olivia Stapp as Elena and Laura Zannini as Marta (2779236).

New York

Metropolitan Opera. Pre-Christmas celebration is brought by the premiere of August Everding's new production of *Der fliegende Holländer*, conducted by James Levine with Eva Marton, James Morris and Paul Plishka. Lincoln Center Opera House (362 6000).

Chicago

Lyric Opera. Barbara Daniels is Rosalinda and Neil Rosenshein sings Alfred in director Giulio Chazalettes's new production of *Die Fledermaus*, conducted by Julius Rudel. Lyric Opera (332 2244).

Washington

Amahl and the Night Visitors. Zack Brown's production conducted by composer Gian Carlo Menotti is a one-act retelling of the story of the Bethlehem shepherd boy whose life is changed by the visit of the three kings following a star. Ends Dec 17. Kennedy Center Eisenhower Theater (467 4600).

Tokyo

Aida. The spectacular Arena di Verona production, with Maria Chiara and Aprile Milo alternating in the title role, and Nicola Martinucci and Mario Malagnini as Radames. Conducted by Nello Santi. National Sports Stadium, Yoyogi (Tues, Wed, Thur) (355 5611).

SALEROOM

A vessel for holding cosmetics, in the shape of a trussed duck, sold for £164,000, over twice its estimate at a Sotheby's antiquities auction yesterday. It was made in Egypt in the Middle Kingdom, between 1835 and 1540 BC. Less than twelve of these tiny, 4¼ inch long artifacts, made in blue marble, are known.

An Egyptian limestone false door, Old Kingdom, 2345-2181 BC, measuring 49 inches by 35½ inches, more than quadrupled its forecast at £57,200 to a German buyer while a 35 inch high Apulian vase of the 4th century BC is going to New York for £55,000.

Christie's took in £939,708 from its morning session of Chinese works of art but with 33 per cent unsold. An early 18th century Imperial famille rose coral ground bowl did well at £143,000. A.T.

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Regulation in the City

LORD ELTON'S premature retirement next spring as head of Fimbra, one of the UK's five self-regulatory bodies recognised by the Securities and Investments Board, highlights the pressures which have been building up within the framework established under the Financial Services Act 1986.

Three years after the FSA became law, and some 20 months after it came fully into effect, it remains a controversial piece of legislation. It was designed as a complicated and sophisticated combination of statutory regulation and self-regulation. The hope was that after a year or two the kinks in the system would be sorted out and practical compromises would be achieved. But in practice the inconsistencies of the Act appear to have become more glaring.

In short, is self-regulation of the investment industry on the way ont? Axnions directors and executives of the five self-regulatory bodies certainly fear so. Whatever Lord Elton's particular mistakes over the abortive introduction of a compulsory professional indemnity arrangement, it is disturbing that a body which has been set up to promote the protection of investors should have been put under such pressure by vested interests within the investment industry – though the most damaging resolutions due to have been put at Fimbra's annual meeting tomorrow have now been withdrawn.

Nonsensical situation

The tension between self-regulation and investor protection has been there right from the beginning of the legislative process which prodnced the FSA. Investment practitioners were told that by participating in the regulatory framework they would be rewarded with a more flexible and sensitive system. But this has produced the nonsensical situation whereby, as at Fimbra's annual meeting, the SROs are answerable to voting members and not, in any direct way, to investors, except in so far as the SIB, acting on investors' behalf, can explode the nuclear weapon of de-recognition.

In his resignation letter yesterday Lord Elton suggested that, whereae he was appointed in 1987 as an unprejudiced outsider, the chairman of Fimbra actually needs to be an industry man. This is understandable as a harassed dispatch from the Fimbra battlefront, but such a view can hardly raise public confidence in the ability of SROs to protect investors.

The fears of the self-regulators have scarcely been eased by the circulation of a confidential SIB discussion paper called *A Forward Look*. Although cautiously worded, the 65-page document recognises that tensions already exist, and are bound to be aggravated by the growing impact of European Community regulation in the context of the post-1992 single market in financial services.

Different practices

The FSA was designed almost without regard for the possibility of a clash with practices on the Continent, where statutory regulation is almost universal. The SIB now points out that Continental banking supervisors, who tend to regulate investment business elsewhere in the EC, show distrust of the UK's SROs. And it seems inevitable that the Bank of England, as the statutory regulator of banks, will take on a greater role in supervising the investment business of banks as a result of the Second Banking Directive. This raises a question mark over the future of The Securities Association, one of the current SROs, many of the members of which are subsidiaries of banks.

Where we go from here will depend largely on whether the Department of Trade and Industry can be persuaded to start taking a serious interest in the progress of the regulatory structure it originally created. It could never have been easy for the UK to sustain a different type of regulatory system from those ruling in the rest of the EG and in the US. Cynics have always suspected that the self-regulators were lured in to set up the apparatus, but at some later stage could be dispensed with. There is no reason to believe that the DTI was quite so devious, but it was always likely that the SIB, once created, would grow and grow. The debacle at Fimbra will speed up this process.

Tough agenda for V.P. Singh

MR V.P. SINGH, the new Prime Minister of India, sets out to govern the world's largest democracy in the face of enormous difficulties, not least because of the minority nature of his government.

Mr Singh starts with two important strengths. In a country beset by corruption at the highest levels of officialdom he is widely accepted by friends and opponents as a man of untarnished integrity. He also comes to office with experience of government and proven ability as an effective finance minister in Mr Rajiv Gandhi'e Cabinet until he resigned in protest over high-level corruption.

He faces three major problems: racial disharmony, the economy and regional relations. But in dealing with those he faces a bigger difficulty. His National Front comprises five parties of which his own Janata Dal is much the largest. To govern against the opposition of Mr Gandhi's defeated Congress Party, still the largest single party in the Lok Sabha, Mr Singh needs the support of botb the Marxist Communist party of India and the right-wing Hindu Bharatiya Janata Party.

Mr Singh's best short term hope would be to take a cautious approach, gaining in authority while Congress tore itself asunder in recriminations, with a moderate faction perhaps moving to support Mr Singh's coalition. This would enable him to dump the Communists, the BJP or both.

Racial clash

However, he may not have the luxury of time on his side. A serious racial clash looks imminent: Hindus planning to build a temple on the revered Sikh site of the former Ayodhya Mosque have announced that building work will begin at the end of next month. The BJP would be incensed if building were prevented by the government; Sikhs (and the Communists) would he equally enraged if it were not.

Mr Singh has shown genuine sensitivity to racial problems and wants to mollify the increasingly militant Sikh minority. A visit to the Golden Temple at Amritsar was an early act of good faith and he has appointed a Moslem, Mufti Mohammad Sayeed, to be Home Affairs Minister in a surprising and imaginative move. But securing peace in the Punjab will be no easier now that 10 of the state's 13 MPs are avowed militants including the widow of one of Mrs Indira Gandhi's assassins.

The economy faces mounting budget and trade deficits – the former exacerbated by enormous expenditure during the general election – deteriorating foreign reserves and rising prices. "The coffers of the government are empty," said Mr Singh in a televised speech to the nation.

Depleted coffers

Bnt he then announced moves which will deplete them further: debts of under $500 for the rural poor would be cancelled and tax exemptions for middle income groups were promised. As he also promised to widen the tax base the assumption must be that there will be more and higher corporate taxes.

This would need to be approached with some caution. Mr Gandhi's liberalising policies, mostly designed by Mr Singh as finance minister, have started to work, with rising corporate activity and higher profitability providing the much needed force to kick India's previously lumbering and slumbering economy into action. Now is not the time for disincentives.

Mr Gandhi soured relations with Sri Lanka, over Indian intervention in the island'e ethnic troubles; with Nepal, over trade; with Bangladesh, over shared waters and flood control. Mr Singh is making suitably conciliatory noises to his neighbours on all these issues.

Thus, the new government has a difficult task. But it is not impossible. Mr Singh has constructed a carefully balanced Cabinet which, a few eccentric appointments apart, looks serious and competent. If his partners and supporters in government can put the government's overall objectives above factional ambition there is no reason for the widely predicted early demise of an unstable administration. Mr Singh has formed a government and has made a fair start.

Joe Rogaly reports on an interview with the Prime Minister

Head in Europe, heart in the US

Ashley Ashwood

The Margaret Thatcher you see is the Margaret Thatcber you get. Britain's Prime Minister is still, as a personality, a galleon in full sail. She is bright, energetic, and, for those who have been asking, plainly in complete possession of her faculties. On the surface at least, she shows neither a scratch nor a dent arising from the six months of political misfortune that preceded our meeting with her in No 10 Downing Street yesterday. You do not get a back-and-forth interview with her, still less a conversation, yet the set responses come without hesitation, no matter how abrupt the switch from one topic to another. She went from the Health Service to Cambodia with the speed and accuracy of turbo-software on the fastest microprocessor chip. If there is self-doubt it is well hidden; if there is a sense of political insecurity it is deeply buried in the nuances of her impermeable replies.

We started with Europe, following the Strasbourg conference. Had her approach to the integration of the European Community changed as a result of recent events? You would not think so, from her initial reply. "No, I think perhaps your reading of events is changing," said the Prime Minister. "After all it was all set ont in the Bruges speech." The familiar phrases rolled out . . . Warsaw, Prague, Bndapest great European cities . . . wider historic manifestation of Europe . . . principles of civilisation . . . coterminous with Christendom . . . rule of law . . . second Roman Empire . . .

So did the familiar braggadocio. "We started the single market . . . during my presidency. We got the first 48 directives and set in motion something to finish by 1992 . . ." All that was going on before our eyes. There was the political change in eastern Europe, "which we already were on to . . . and the effect of the single market, which was *ours*" (said with the famous emphasis, which may puzzle future historians as much as the assertion), "*and*, why Strasbourg was very harmonious is the fact that some of our things are *coming to pass*." The two nations which had led on the single market were not Germany and France; they were Denmark and Britain.

For years Britain had led on trying to get cheaper air fares. The situation suddenly moved this week, due to a bilateral approach to Holland. "Ourselves, Holland and Denmark probably are more forward-looking in these matters . . ." The Government was trying to get the French to free up on French telecoms as it had freed up on British telecoms. All of a sudden it happened last week. Knowing smile. "Some things happen, you know, just before you have a summit." The clear implication was that President François Mitterrand had moved on telecoms to spare France from embarrassment during his presidency. Things were happening, but they were happening on *our* pattern. "Do not forget, we knocked out that Social Charter and when it comes back as detailed things people will take a very different view," she said at another point.

We tried to get off this vision of the EC as no more than a commercial convenience, a free trade area in which Britain-Holland-Denmark saved West Germany and France from their follies. So, next question: is the single market the consummation of what the Community is about? The reply went back to the Rome Treaty, which was about the common agricultural policy and a common market. "We" had played a large part in reforming the former. Barriers were coming down, but not yet enough. We had hopes of a freeing of life insurance, but we hadn't *started* on the freeing up of the investment/financial services work at all. Another example was cabotage-chipping. Any shipping company could pick up cabotage around our coasts; we could not do the same in the Mediterranean. It was the same thing on lorries – that had started to move.

The reply played itself out. Subsidies had to go; they had to be less protectionist, and open, as we were.

What abont the exchange rate mechanism (ERM) of the European Economic Community? "I thought yon were coming to that." Here it was possible to detect a change of nuance, perhaps an important one. For the Prime Minister would not give way on which if any of her well-known conditions had to be met, to what extent, and by when. "There'll be no difficulty, for example, in France getting rid of her controls on foreign exchange," she said. President Mitterrand had indicated that this was likely to happen in January rather than July next year, although bringing the month forward would not in itself make a difference to Britain's approach. Italy had its big budget deficit, and was still talking about distortion of capital movements. But once people could take their money out they would not be in a hurry to do so. Spain was still worried about "distortions," but its case did not come up until 1992. It just depended npon how they moved. "We will look and see precisely what has happened, with an open mind . . ."

"We are obligated to join the ERM," she said, adding for a "when," when the terms and conditions laid down et Madrid were "broadly met." If this was insincere it did not show in her demeanour. She went on, perhaps as evidence of a truly open mind, "I'm not looking at it as taking a whole page of graph paper and making a dot in each little square. Life isn't like that." Was it her view that the ERM would break down with the end of exchange of controls? No she didn't think so. "We don't know what will happen when you've got the whole of Delors stage one in operation and when a currency as big as sterling joins the ERM," she warned. Far more trade was done in sterling, and through London, than through Frankfurt. Most of the world's trade was done in non-ERM currencies.

The Government had not considered joining the ERM on a wide band of exchange rates as a first stage because first it had to get inflation down. There was also our trade deficit compared with the "colossal" trade surplus of the D-Mark. These were not a recipe for exchange rate stability whichever way you looked at it.

So we moved the questioning to Germany. Could the Prime Minister envisage the present East Germany becoming part of the Community, either on its own or by joining with the Federal Republic? Not quite. "We were already on to the consequences for the wider Europe and the first person who was, if I might say so, again, was me, by saying that we had a whole list of the type of agreements that we can make with these countries." She instanced a straight trading agreement as with Hungary and

Interview by Samuel Brittan, Geoffrey Owen, Joe Rogaly and Philip Stephens

Poland, other co-operation agreements which could be cultural or joint ventures, or association agreements . . . each one was done differently. It was only the Turkey one that carried with it the undertaking of eventual membership. East Germany had its own very special inner German agreement. We had put in a paper to the European Commission and they were looking it. The essence of the reply was that the EC had a lot on its plate already, and it was too soon to tell.

Mrs Thatcher had earlier remarked on how the Germans had been more snccessful than Britain in keeping inflation down. ("You don't need to join an ERM to keep an inflation rate down. Germany did not have to join anyone to keep her inflation rate down.") After ten years in office, she was asked, was that not a great failure? In the early years inflation could be blamed on the Labour Government of the 1970s, but not now. The question elicited the closest the Prime Minister would come to an admission of error. "Yes we did have, in retrospect, monetary conditions too loose and that obviously is why we have now got inflation and, now we have got it, we have got to get it down. You will also notice that our unit labour costs are going up slightly more than some of those in Europe and certainly than those in America."

Was she prepared to go through the political pain, lagging by 10 points in the opinion polls; was she happy to keep the squeeze on mortgage payers and borrowers? "Yes, they would be astounded if we did not. They expect us to get inflation down." Did the exchange rate have any relevance either as an indicator of domestic monetary conditions or the behaviour of unit labour costs? "Of course it does. You cannot ignore the exchange rate . . . yon also know that what you can do about it is limited, but it is one of the factors yon take into accoimt." Here the Prime Minister carefully emphasised the congruence between her comment and that of her new Chancellor, Mr John Major.

The interview concluded with two issues about which Mrs Thatcher is able to sing her most well-known songs, as they say in show business, once more with feeling: the environment and the liberal economy. Her opinions, as opposed to the Government'e actions, are strongly green, even to the point of envisaging the possibility of a change in the direction of growth (although not, of course, dark green in the sense of restricting economic growth).

In terms reminiscent of the Green Party conference she went ou about the packaging industry. "You know there is so much more packaging that you see people throw things down in the street. In my young day there was not such a thing as a Coca Cola tin, we had bottles and we saved them and we took them back and got one penny return on bottles so it was very convenient for your pocket money if you collected them and took them back . . . I myself try to buy as little packaging as possible . . . "

But the Greens would not like Mrs Thatcher's views on power generation, which remain strongly pro-nuclear in spite of the collapse of the nuclear generating programme. There was an intimation of regret that Britain did not have a PWR programme like the one France had purchased from the US. Decommissioning costs were thought to be very much smaller than for either Magnox or the AGR. "And we have got Sizewell only coming on stream."

She was at her most passionate at the end, when she gave us a peroration on her vision of the liberal economy, parrying our interruptions with a smile and "please, please let me finish for it is all of a piece."

It was straight from the school of Keith Joseph, via texts by Hayek. "The liberal economy is the back-up to political freedom and without the liberal economy you would not have the political freedom. And the liberal economy is to enable things, to get the enterprise going. "Its best expression In the English language is set out in the American constitution, which is really one of the most beautiful and correct expressions of liberty in the English language." I had no time to interject the obvious point about executive power being much more diffuse under that constitution.

Yon also had to have a strong framework of law within which industry had to operate. This had to be constantly updated. The American economy taught that it was the role of government to do basically those things which only government could do. There was a need for a wider spread of ownership "and also it has always and will always be a fundamental part of Conservatism to extend ever more widely opportunity." The attitude of take it or leave it had been a "thoroughly impertinent, totally wrong reading of state services. They should be as reactive to the consumer and to the private sector and that is what we are trying to do . . . the fact that they are paying out of their taxpayer's or ratepayer's pocket is not relevant."

This peroration confirmed, to my mind, that whatever the nuances, the instinctive beliefs that have always motivated Mrs Thatcher remain unchanged. "Yon know, it really would be very ironic if, having spent a fortune on education – and we are going to continue to spend a fortune on education – people run away from exercising responsibility," ehe said, warming to her theme of making the public sector much more responsive. The same applied to out-patients departments. It was absurd that people should be told to be there at 9 o'clock in the morning and still not have had attention at 3 o'clock in the afternoon.

In sum, the Prime Minister seemed to me to be guided by her head towards the commercial significance of the EC, but by her heart to the political/social ethos of the United States. That has always been her make-up. It has not altered.

OBSERVER

Deutsche goes back to two

■ Less than a week after the Requiem Mass for Alfred Herrhausen, the Deutsche Bank chief executive who was murdered last month, the names of the bank's new top bosses should emerge later today.

Expectations are that the bank will revert to a system of having two speakers for its managing board – the procedure which operated for many years until Herrhausen took the job exclusively on his shoulders after his long-serving counterpart, Wilhelm Christians, retired in May 1988.

The signs are that Hilmar Kopper, 54, and Ulrich Weiss, 53, will be the new joint speakers for the bank, which does not have a chief executive. Rather, in Deutsche Bank tradition, the speaker, who is paid the same DM1.2m as his other managing board colleagues, is merely supposed to be primus inter pares, and all decisions require unanimity.

Whatever the theory, the charismatic Herrhausen was more than just first among equals, and, for all their talents, neither of his two likely successors can match him for either presence or rhetoric. Weiss, a multilingual banker who is married to a South American, has made his mark internationally hy chairing the Eurocheque/Eurocard network, while within the bank he is responsible for personnel and auditing.

Kopper, who stands out on Deutsche's degree-laden board as the only member without a university qualification, has come up through the ranks, having joined the bank straight after school.

While previously responsible for international commercial banking, he took over Herrhausen's investment banking hat when the latter became sole speaker last year.

Rare business

■ Eight months after it was established, Makinson Cowell, the investor relations consultancy, has picked up a notable new partner in Robert Brand, formerly Head of UK Research at BZW Securities.

John Makinson, who used to write the Lex Column in ths FT, says that he does not think that the company has any direct competition. It operates somewhere between a corporate stockbroker and a financial public relations firm. The main business is strengthening relations between companies and their shareholders.

There are 10 leading UK companies on the books at present. According to Makinson, it was impossible to take any more without new staff.

Like a merger

■ Neues Deutschland, the East German Communist Party newspaper, yesterday ran its first advertisement. Appropriately, it was in the spirit of closer economic (and political) relations between the two Germanys.

The full page ad was run jointly by Lufthansa and Interflug, the West German and East German airlines. Their company logos appeared side by side in the sort of advertisement placed by two firms which have just completed a merger. "We are happy to present you our latest offer of direct flights between both German states," it said.

Actually, the recently started flights between Frankfurt, Düsseldorf, Hamburg and Munich in the West and Leipzig and Dresden in the East are somewhat circuitous. They are forced to make a wide arc around the joint east-west German border and enter German airspace via Czechoslovakia and the Baltic Sea.

"How many medical units is one allowed?"

Until now the wartime allies jealously reserved the right to decide on all air transport between the two states. That was one of the subjects being talked about when the Ambassadors of the four powers met in West Berlin yesterday for the first time since 1971.

The Neues Deutschland ad??? also noted that flights between destinations in East and West Germany will cost only DM150 until January 15. That is about half the price of Lufthansa's internal West German flights, which are among the world's most expensive per kilometre.

Other Haughey

■ No sooner had Charles Haughey, the Irish Prime Minister, left the EC Strasbourg summit last week when another Haughey arrived on the scene. His son, Sean, is the mayor of Dublin. Ireland takes over the EC presidency on January 1 and Haughey junior was in town to accept, Olympic torch-style, the European flag from Catherine Trautmann, Strasbourg's socialist mayor.

"Vive Strasbourg. Vive Dublin. Vive Europe", chorused Trautmann. Haughey junior said he was overwhelmed. A glittering reception followed, complete with a generous supply of Irish whiskey. A coup for the Haugheys and the marketeers of things Irish? Not quite: the Irish whiskey industry is now controlled by the French Pernod group.

High target

■ A great deal of thought went into the siting of the new British Embassy in Manila. It had to be in a prestigious building, strategically located, and the security men preferred that it occupied the upper floors. The choice fell on the 15th, 16th and 17th floors of the Locsin Building, at the junction of Makati and Ayala Avenues.

Unfortunately, just a week after the staff moved in and before there was time to hang the pictures, much the same thoughts occured to the officers commanding the elite Scout Rangers who led the rebellion against President Aquino. They moved into the building, though not the Embassy, just as the last British staff left for the night.

Soon afterwards government troops opened fire with rocket-propelled grenades exploding on the outside walls and machine gun bullets ripping through windows and walls. Staff are hoping to patch up enough of the damage to allow Jaime, Cardinal Sin, the Archbishop of Manila, to bless the new premises next week.

Five floors below, the FT office escaped without a scratch.

Numbers game

■ From an advertisement in an Ohio newspaper: "Olga and Richard Steinberg have been married for three years. They might still be single hut for our computer dating service."

FOREIGN AFFAIRS

Liberté, Egalité, Laïcité

Edward Mortimer compares French and British reactions to Moslem activism

All through this extraordinary autumn, while Europe as a whole has been incredulously watching the death-throes of communism in the east, the French have been preoccupied with something else. I haven't measured, but my impression is that the "headscarf affair" has easily beaten the Berlin Wall in column inches in the French press and pronouncements by French politicians. The success of the Front National in the by-elections at Dreux and Marseilles the Sunday before last suggests that it may also have had a much bigger effect on French voting behaviour.

Yet it is difficult for us in Britain to take the affair seriously at all – which shows how profound the cultural differences between neighbouring European countries still are, and how unlikely it is that we shall all become "identikit" Europeans, whatever arrangements may be made in Brussels and Strasbourg.

In case any non-French readers have missed the story so far, let me recall the question at the centre of the argument: it is whether the headmaster of a state secondary school in Creil, a rather drab new town north of Paris, was right to send home three Moslem girls, aged 13, 14 and 15, who refused to remove their headscarves in class.

To the British instinct there are two fairly obvious answers. The first is that this is precisely the kind of judgement that is best left to the man on the spot, in this case the headmaster. Every school is bound to have its own rules about the dress and appearance of pupils. Sometimes these may have to be adjusted to take account of parents' concerns, especially where religious beliefs or sensitivities are involved, but it is important that school discipline be applied fairly to all. To balance these principles and retain the respect of all concerned is the very essence of a head teacher's job.

The second answer is that in this case the head teacher probably made a mistake, and that at any rate his rule should not serve as a nationwide model. French state schools do not have a uniform as such, headscarves are a normal form of female attire, and no tradition requires women or girls to remove their headgear indoors. If these girls or their parents believe their religion requires them to keep their heads covered, surely that is their right, and they should not be denied the benefits of state education on that account; especially as the likely result would be the growth of Moslem private schools and the deepening of the social and cultural gap between Moslems and the rest of the community.

Such is my reaction, and I believe it would be the "commonsense" reaction of most people in Britain. Similar problems are by no means unknown in the UK, but they have generally been solved at the local level without any great fuss. Yet this one has set the whole of France by the ears in a way almost nothing has done since the Dreyfus case. Unlike the Dreyfus case, however, this is not a straightforward left-versus-right battle. The Creil headmaster, by his resolute defence of the secular principle (*laïcité*) in French education, has become a hero to a coalition stretching from the Communists to the Front National, and including most of the mainstream conservative parties as well as a large chunk of the governing Socialists.

The education minister, Mr Lionel Jospin, tried to have it both ways, saying that the headscarf should be banned but that this must be achieved through dialogue rather than exclusion. He has been bitterly attacked from within his own party for selling out *laïcité*, which for a century has been one of the defining principles of the French left. The issue seems certain to dominate the party congress to be held in three months' time.

Left-wingers on both sides of the argument have waxed ironic about the sudden enthusiasm for *laïcité* displayed by the right, which only five years ago fought a huge and successful battle to force the government to continue subsidising Catholic private schools. And it is at this point that British readers may begin to find the affair a little less alien to their own experience. After all the UK too has had a major public controversy this year (the Rushdie affair) arising from a clash between Islamic sensitivities and a central principle of the state to which the left is strongly attached, namely freedom of expression. In that case too the left finds itself unexpectedly divided, and that section of it which defends the traditional principle is surprised and embarrassed to find itself on the same side of the barricades as the extreme right. Britain's National Front has taken up freedom of expression, just as France's Front National has taken up *laïcité*, as a useful stick with which to belabour an immigrant community.

In Britain part of the political and religious establishment has taken the Moslem side

One striking difference is that in Britain a significant part of the traditional political and religious establishment has taken the Moslem side. Christians in Britain have expressed fellow-feeling with Moslems over their outrage at the "blasphemy" of The Satanic Verses, and some British conservatives have sneeringly called Mr Rushdie's defenders "liberal fundamentalists". But in France neither the church nor any significant voice on the political right has been willing to make common cause with Moslems against what might strike an outside observer as "secular fundamentalism" (*intégrisme laïque*). One might have supposed that British conservatives would be more strongly attached to the principle of freedom of expression than French conservatives to the principle of *laïcité*, but apparently not so.

In part – but only in part – that could be because in France there is a Socialist government in power: politicians tend to be less sensitive, when out of office, to the danger of provoking civil disturbance by riding roughshod over the religious feelings of a large minority of the population (Unless of course, like some Labour MPs in Britain, they depend on the votes of that minority for reselection).

The difficulty that the British have in identifying with what seems to be the majority position in France is that in Britain secularism is largely a de facto affair. It has never been advanced as a positive feature of the state (which remains legally a theocracy), and seldom clearly identified as a key component of democracy. The phrase which defines Britain's historically-reached consensus in this area is "religious toleration", which implies an essentially passive attitude to religion on the part of the state. Britons – or Englishmen anyway – are assumed by their own historical and constitutional literature to be religious people, but people who by and large wish to preserve their religious practice from political interference.

France's official history, by contrast, sees religion as an active force whose nature is to encroach on the state's domain, at the expense of democracy, unless confined to the private sphere by a set of firm and jealously-guarded barriers, of which a strictly secular state education system is perhaps the most important. French education has traditionally emphasised a common core of citizenship, where British education has been more diverse both in content and in organisation.

My instinct is still that headscarves in class are the wrong issue to fight on. But it may well be that the French experience of religion is more relevant than the British when it comes to dealing with the specific challenge of Islam. For Islam is less like 20th century English Protestantism, and more like 19th century French Catholicism, in its reluctance to be confined to the purely private sphere.

Britain and the EC

The need for scrutiny

By Vernon Bogdanor

In July 1988, Jacques Delors predicted that, within 10 years, 80 per cent of economic legislation would come from Brussels. If that happens, it will constitute a serious challenge to British notions of parliamentary responsibility. How is this massive increase of power to be made accountable? The European Parliament is unable to control the Council of Ministers; while the House of Commons can no longer, even in theory, enforce ministerial responsibility for Community issues.

Until recently, ministers were able to veto Community legislation. With the ratification of the Single European Act, however, majority voting is now the rule over a wide swathe of Community legislation. Even if British ministers are willing to press the view of the House, they can now be outvoted by the other member states. How, then, can Parliament ensure that Community legislation takes account of the UK's vital national interests?

Westminster has no formal place in the decision-making process of the Community; the Commons can only influence Community decisions through the voice and vote of British ministers in the Council of Ministers. For the Treaty of Rome, unlike most federal constitutions, provides no machinery by which states' rights can be defended. That is a serious weakness at a time when the Community is proceeding so rapidly towards European integration.

These dilemmas have recently been highlighted in a report by the Procedure Committee of the House of Commons.[1] It paints a depressing picture. All too often, debates on European legislation are held after 10pm and last for less than an hour and a half. They are, according to John Wakeham, the former leader of the House, "cursory" and "not very well attended." Debates are often held too late to exert any real influence on Community decisions. In one case, in June 1989, the Commons began a debate at 1.08 am on a draft directive on broadcasting due to be considered by the Council of Ministers later on the same day.

On occasion, there has not even been debate. There was no debate in the Commons on the fateful Madrid summit earlier this year at which Stage One of European monetary union was approved. Thus, the Commons' discussion of a host of consequent legislative measures was pre-empted. The way in which the House was treated over the Madrid summit, comments the Procedure Committee, "represented a serious breakdown in the scrutiny system."

The basic cause of the failure of scrutiny is the utter divergence between the methods used at Westminster and those of Strasbourg. In the Commons, the scrutiny of legislation in standing committees is divorced from the investigatory procedures of select committees, which have the power to question witnesses. In the European Parliament, by contrast, there is a unified committee system combining the functions of scrutiny and investigation. Every MEP belongs to one of these committees and they are able to build up a considerable degree of expertise.

Further, almost all bills come to the Commons as firm proposals for legislation, their main essentials little altered in committee. Community documents which come to the Commons for scrutiny, on the other hand, are generally "projets de lois" subject to considerable change before adoption. Thus the Commons needs some prospect of exerting influence before legislative intentions are finalised. It has to embrace a concept, unfamiliar in the UK but commonplace on the Continent, of a pre-legislative committee.

What is needed for European legislation is a committee structure which blends the legislative scrutiny of the standing committee with the investigative processes of the select committee. The procedure committee recommends the creation of five such "special standing committees" on European Community documents to cover agriculture, trade and industry, treasury, transport and environment, and general (the remaining departments and subjects). They would have the power to question ministers before considering Community documents. They would be committees of a quite new type in the Commons (except for a brief experiment in 1980-81) – pre-legislative committees, able to exert a genuine influence on the final form of legislation.

Yet the procedure committee did not go quite far enough in its proposals. Why should the special standing committees be restricted to the questioning of ministers? Why should they not also be empowered to question other experts on Community legislation? In particular, why should they not be given the power to mobilise the expertise of members of the European Parliament who are in the strongest position of all to act as an early warning system on Community legislation? The expertise of MEPs could easily be harnessed to the proposed Committees were they allowed to sit on them, even if they did not have the right to vote. Belgium and West Germany have already set up such joint committees, but in Britain we are afraid to do so because of the shibboleth of parliamentary sovereignty, and Westminster's traditional fear of competitors.

Last month Mrs Thatcher declared that the European Parliament was not a real parliament as people in Britain understand it. In no other Community country is there so little regard for MEPs on the part of government and parliament. Westminster is still seen as the sun around which everything else moves. Yet Britain will only be able to make the Community accountable by combining the skills of its MPs and MEPs. Instead of seeing the European Parliament as *competitive* with Westminster, it must be seen as *complementary*. It has become common to regard Britain and the Community as entirely separate political systems, each insulated from the other. It is only by seeing them as interconnected and interdependent that Britain will come to terms with its European future.

[1] *Fourth report from the Select Committee on Procedure: 1988-89. 'The scrutiny of European legislation'*

The author is a Fellow of Brasenose College, Oxford.

LETTERS

Japanese cars in the EC

From Sir Hugh Cortazzi.

Sir, As a former British Ambassador to Japan from 1980 to 1984, I welcome your leader of December 8. It is high time that a definitive term is put to the restrictions on imports of Japanese cars into the EC, in particular into Britain.

I deliberately eschew the term "Voluntary Export Restraint (VER)" because, in my view, the term is a hypocritical euphemism. The industry and unions lobbied the British government, especially in the mid to late 1970s, to exert pressure via the Japanese Ministry of International Trade and Industry for discussions between the Society of Motor Manufacturers and Traders (SMMT) and the Japan Automobile Manufacturers Association (JAMA) which would ensure that the import into Britain of Japanese motor vehicles did not take more than 10.8 per cent of the UK market. This was a limit which it was difficult to achieve as demand inevitably varied from year to year.

When these restrictions were imposed in the 1970s the plain understanding was that they were strictly temporary. This was interpreted as meaning three to five years at most. The restrictions have now been continuing for over a dozen years. The British motor industry, thanks to co-operation between Honda and Rover, to investment by Nissan, to the forthcoming investment by Toyota, and to the rise in the value of the yen, is now fortunately much more competitive. By 1992, it ought to be able to meet competition from imports and survive. The word "ought" needs to be emphasised. The industry will not be able to compete effectively if British motor car manufacturers price themselves out by inflationary wage increases not matched by rising productivity.

The British consumer has suffered because the prices charged in the UK for Japanese motor cars are higher than they need be. Moreover, because of the restrictions, the consumer has been unable to buy Japanese mini cars; it is more profitable for Japanese manufacturers to use their quotas for higher priced cars. Your car industry correspondents have pointed out the excellent qualities of Japanese mini cars, in particular their low fuel consumption. Such cars should be available now, to reduce the consumption of fossil fuels – not least because of threatened global warming.

A look at the profits of Nissan's UK distributors shows that they at least have not suffered as a result of the restrictions. Indeed, Japanese motor car manufacturers have willingly continued the present regime because it has not undermined their profits and because they have feared that the alternatives might be worse for them.

The British government should press the Commission to phase out all restrictions on imports of Japanese motor vehicles from 1992.

Hugh Cortazzi,
Hill Samuel,
100 Wood Street, EC2

Investment income tax anomaly

From Mr Mark Franklin.

Sir, Michael Saunders (December 6) criticises the way in which composite rate tax (CRT) subsidises taxpayers at the expense of those below the income tax threshold.

This should not divert attention from a far larger anomaly in the tax treatment of non-labour income, which penalises all taxpayers in receipt of investment income rather than capital gains.

Following the 1988 Finance Act, full indexation relief can be offset against capital gains tax; while recipients of investment income are taxed on the full nominal yield, including that part representing compensation for the erosion of capital by inflation. With inflation now at 7.3 per cent, real post tax returns on investments yielding 10 per cent net of CRT are below 3 per cent for basic rate taxpayers, and less than 1 per cent for those taxed at a higher rate.

Extending indexation relief to investment income would raise personal sector savings – chronically low by international standards.

Mark Franklin,
Credit Suisse First Boston,
3a Great Titchfield Street, W1

Building for success

From Mr Frank Strickland.

Sir, David Barchard reports ("Broker says smaller building societies face bleak future," December 4) that UBS Phillips and Drew, in its report "Banks & Building Societies: Bloodbath in the High Street?", is forecasting "a bleak future for small and medium sized building societies in the retail financial services market of the 1990s."

The Building Societies Association has been arguing for some time that the size of a building society is not an indicator of the future success of that society.

Rather, the quality of its management and its ability to spot what the customer requires, and to deliver products at the right price and at the right time, are far more likely to determine its future in a competitive market place.

If size was the main determinant of success, one would expect the Financial Times, a newspaper with a circulation of less than one-tenth the circulation of The Sun, also to be facing a "bleak future."

Frank Strickland,
Chairman of the Council,
Building Societies Association,
3 Savile Row, W1

The need to overcome an inherited culture of management

From Sir Charles Villiers.

Sir, I asked you earlier (Letters, October 18) why British wages and salaries have risen, over the last 10 years, so much more than those of our principal competitors overseas – a question prompted by Martin Wolf's article "Questions about the British Miracle," (October 14).

I am now convinced that the reason lies mainly in the lack of vocational training in Britain, leading to a very serious shortage of skilled labour. The World Competitiveness Report 1989 ranks Britain nearly at the bottom of the class of the 22 OECD countries in both training and availability of skilled personnel.

The effects are these:

- The British economy is pretty well confined to "old" industrial products, with which management and workforce are familiar. The market for these is inevitably diminishing.
- British management, facing a pay round, fears above all the loss of its skilled and experienced personnel. So it takes the "going rate" and adds on one, two or even three percentage points, to protect its interests, as it sees them;
- The unskilled – and much larger – part of the workforce, unwilling to be left behind, and urged on by the unions, puts in a comparable claim which managers find hard to resist while they have the money;
- The cash thus distributed goes straight into consumption; it is seldom saved or invested. This puts upward pressure on prices, stokes up inflation – and "away we go;"
- Company revenues are thus diminished before they even reach the profit-and-loss account, and are thus not available for investment in technical training, research, development, and technically improved physical assets;
- The whole industrial population in Britain is destabilised by this process – going on somewhere all the time. It works to our continuing disadvantage.

What we have to overcome is an inherited industrial culture of management which says: "They learn best by exposure on the bench," and, "Why should I train people for others to employ?" In the workforce there is a deeply ingrained attitude which says: "I am fed up with schooling, and I want a man's job and pay." The workforce has started to say: "A robot will soon be doing what I am going to learn." These are the cultural road blocks.

I believe that we shall only get round them with a market-driven training scheme. That is why I support the Confederation of British Industry scheme of training vouchers for school leavers, as an addition to improving – greatly – the education and training on offer in schools for the 16-18 age group.

We could then say: "Stay on if you can, use the voucher if you can't . . ."

I belisve that Churchill would mark such a brief: "Action this day."

Charles Villiers,
Blacknest House,
Sunninghill, Berkshire

FINANCIAL TIMES
Tuesday December 12 1989

Four powers discuss future role

Moscow wants more talks on Berlin

By Leslie Colitt in Berlin

THE SOVIET UNION, concerned that developments in East Germany could veer out of control, indicated yesterday that it wished to continue talks begun yesterday in West Berlin with the three Western allies.

Ambassadors of the four Second World War allies met for 2¼ hours in the Allied Control Council building in West Berlin for the first time since they concluded the four-power agreement in 1971.

In a brief statement issued after the meeting, the ambassadors stressed the importance of maintaining stability "in and around Berlin" and the role the four powers could play.

This was the only reference to the growing turmoil in East Germany which Western officials said was worrying Moscow.

Rising demands for reunification in East German demonstrations evoked a warning last weekend from Mr Mikhail Gorbachev, the Soviet leader, that Moscow would see to it that "no harm" came to East Germany. The officials noted that the Soviet Union requested the four-power meeting.

Mr Vyatcheslav Kotchemassov, the Soviet ambassador to East Germany, who was at yesterday's talks, expressed "favourable interest" in proposals made by the Western ambassadors to West Germany who attended the talks: Sir Christopher Mallaby (UK), Mr Vernon Walters (US) and Mr Serge Boidevaix (France).

Ambassadors of the four Second World War allies after yesterday's meeting on the future of Berlin

The proposals were based on an initiative on Berlin launched by former President Ronald Reagan in 1987 when he visited West Berlin and called on Mr Gorbachev to tear down the Berlin Wall.

The proposals call for removing restrictions on air traffic to Berlin and turning the city into an aviation centre.

They also recommended holding international conferences, and events such as the Olympic Games, in both halves of the city.

Moscow, however, last year gave a negative response to the Western initiative and suggested the allies discuss air traffic with the East Germans.

Meanwhile, both East and West Germany are seeking direct air links across their common border which can only be granted by the four powers. Western officials said the positive Soviet response yesterday indicated that Moscow wanted to play a greater role in inter-German affairs.

The West German Minister for Inner-German Relations, Mrs Dorothee Wilms, said the Allies must see "that the Germans have the right of self-determination just like any other people."

In a radio interview, she said the way to German unity "was part of the way to European unity."

Argentina devalues austral by 35 per cent

By Gary Mead in Buenos Aires

A WIDE-RANGING Argentine economic package, including a 34.8 per cent devaluation of the austral, was announced late on Sunday evening by President Carlos Menem's five-month-old Peronist Government.

The measures included a two-year postponement of the maturity of short-term austral-denominated government bonds, of which some $7bn are in issue. Holders will continue to receive interest.

The new officially fixed exchange rate is 1,000 australs to the US dollar, against the rate of 650 australs which had been in place since the Government took office in July.

The Government has also decided to return to two officially sanctioned exchange rates. The 1,000 australs to the US dollar rate will be used by the Government for export-import transactions. The other will be allowed to float, though with central bank intervention.

The unofficial black market rate – which during November operated between 900 and 1,200 australs to the dollar – has thus been recognised as more accurately reflecting the currency's value.

The devaluation contradicts earlier statements from both Mr Nestor Rapanelli, Economy Minister, and other senior officials who since July had affirmed said that no devaluation would be made before March 1990.

A one-day bank holiday, also announced on Sunday, yesterday prevented any exchange operations.

Besides the sharp devaluation Mr Rapanelli also announced an average 60 per cent rise in petrol prices; monthly wage increases for public and private sector employees of between 24,000-30,000 australs [$24-$30 at the new official exchange rate]; and an 11 per cent increase on export duties.

Price rises for other public sector utilities, in line with that announced for petrol, are likely to follow.

While the measures go some way towards alleviating the immediate problems of an increasingly overvalued currency and lagging state sector tariffs, the package is bound to have a serious inflationary effect, driving December's retail price inflation far beyond President Menem's promise of 2 per cent.

Current estimates suggest that the inflation rate this month will reach 15 per cent.

The package may buy some breathing space for the Menem administration. Its plans to improve tax revenues and cut public spending have become seriously delayed in the last two months.

However, a growing public perception is that the new abrupt efforts to rein in the economy suggest a slackening pace in the reform programme.

Gatt warns on use of anti-dumping measures

By William Dullforce in Geneva

GOVERNMENTS are making increasing use of anti-dumping measures against imports, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, warned yesterday.

In his annual report to the Gatt council, Mr Dunkel said that in the US and the European Community anti-dumping had become the most frequently invoked instrument of trade policy after tariff duties.

His report, which also singles out the Super 301 provisions in the new US Trade Act, comes as the council prepares to debate this week the Gatt secretariat's first reviews of the trade policies of individual members – Australia, Morocco and the US – to help enhance its role as policeman of the world trading system.

Gatt's anti-dumping provisions were intended to protect domestic enterprises against "predatory, as distinct from competitive, behaviour by foreign producers," Mr Dunkel said.

Since 1980 Australia, Canada, the EC and the US, the four main users of anti-dumping measures, have started over 1,000 investigations.

More than 500 led to protective action. Trade analysts have criticised the EC in particular for misusing Gatt provisions that allow countries to take counter-measures against imported goods sold at unjustifiably low prices.

Brussels has been accused of deliberately using anti-dumping procedures as a protectionist device.

Mr Dunkel said governments had been broadening the scope of anti-dumping procedures both by introducing regulations specific to certain sectors of trade and by changing the methods used to determine whether dumping has occurred.

He referred to the approach, under which, instead of comparing market prices in the exporting and importing countries, the investigator calculates the "normal" value of a good and compares this constructed value with the price charged on his market. Japan has accused the EC Commission of using such a method.

Recent anti-dumping measures referred to by Mr Dunkel included those taken by the EC against Japanese photocopiers and integrated circuit boards, in which Brussels extended its rules of origin to cover components.

Details, Page 6

UK grants mobile communication licences

By Hugo Dixon in London

A NEW era in telecommunications was launched yesterday when the UK Government awarded licences to three international consortia to provide mass market mobile communications systems.

A group led by Mercury Communications, British Telecom's only mainstream rival, has been given one of the licences. The others have gone to consortia led by British Aerospace and STC, the UK electronics group. Each network is expected to require an investment of about £1bn ($1.57bn).

The systems, known as personal communications networks, which should be ready for operation by 1992, are intended to bring mobile communications within reach of the ordinary consumer.

They would support cheap, lightweight phones that could be used to make and receive calls from virtually anywhere.

The systems are initially expected to compete with the current cellular networks run by Vodafone, part of Racal Telecom, and Cellnet, a BT subsidiary.

They could also pose a threat to BT's monopoly of the ordinary phone service because customers would be free to exchange their fixed phones for mobile phones.

The licences offer the biggest opportunities in UK telecommunications since the licensing of Mercury and the cellular operators in the early 1980s. Some observers think personal communications could be more important for the consumer than either of these developments.

In business terms, though, they are unlikely to be as lucrative as the cellular systems because the licensing of three new players is expected to lead to an extremely competitive market.

Mr Eric Forth, the Trade and Industry Minister, said that "very many millions" of people would be using personal communications by the end of the century.

The award of a licence to BAe may provoke political controversy because it comes in the middle of the row over the Government's handling of the sale of the Rover Group to BAe.

Mr Forth, however, denied that BAe was getting too many favours from the Government. The recommendation to grant BAe a licence was made by the Office of Telecommunications, the industry's regulatory body.

BAe has a 35 per cent stake in its consortium. Pacific Telesis, one of the US "Baby Bell" operators, has 20 per cent of the group; Millicom, the US mobile specialist, 14 per cent; Matra, the French electronics manufacturer, 10 per cent; and Sony, the Japanese electronics group, 4 per cent.

The licence award is something of a coup for Millicom, which was Racal's initial partner in the Vodafone network. It is also the second success in a week for PacTel, which has just won a 26 per cent share of the new West German mobile licence.

STC has 30 per cent of its group, called Unitel. Other partners are: US West, another "Baby Bell" with 30 per cent; Thorn EMI of the UK with 25 per cent; and West Germany's Bundespost with 15 per cent.

The BAe and Unitel consortia were chosen by Oftel from a list of seven applicants because of the flair of their applications.

Mercury's application was seen as solid but not as imaginative as the other two.

Personal communications analysis, Page 8;

Thatcher indicates shift of emphasis

Continued from Page 1

responding to pressure both in her Cabinet and among Conservative MPs to emphasise a positive commitment to Europe.

The Prime Minister said conditions laid down at June's Madrid summit – including lower British inflation, further progress towards the creation of a single market and the removal of capital controls – had to be fulfilled before sterling could be taken into the EMS exchange rate mechanism.

With Britain's inflation rate and trade position far out of line with those of West Germany, membership of the ERM now would not be necessarily a recipe for stability. "We have to get down inflation before we can go in," Mrs Thatcher said.

She emphasised, however, that Britain had agreed to join and that the conditions were not rigid: "I am not looking at it as taking a whole page of graph paper and making a dot in each square. We entered into an obligation and that obligation will be met."

Asked if that meant British participation was possible before 1992 – the most likely date for the next general election – she replied: "We will look and see precisely what has happened, with an open mind."

She said she thought it unlikely that the removal of capital controls by France and Italy would lead to the break down of the exchange rate system – a view attributed to Sir Alan Walters, her former personal economic adviser.

On domestic policy, Mrs Thatcher reinforced the view of Mr John Major, the Chancellor, that interest rates would have to stay high until inflation had been brought down significantly, in spite of the damaging impact on the Government's standing with the voters.

"They expect us to get inflation down and they are quite right . . . The consequences of the the reverse would be too horrific to consider."

Mrs Thatcher indicated she was fully in tune with Mr Major's view that the Government should neither ignore sterling nor commit itself to a specific target.

"You cannot ignore the exchange rate. You also know that what you can do about it is limited," she said.

In her assessment of the next election, Mrs Thatcher said there could be no question of a retreat from the "economic liberalism" at the centre of its policies over the past decade.

However, she stressed "Toryism" meant establishing a strong "framework of law about matters of pollution, about certain basic standards, about making certain that people cannot produce things which are unsafe."

Looking ahead, Mrs Thatcher said the Conservative aim was "enlarging opportunity, it is making the public sector . . . more responsive. You cannot have choice only in the private sector.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	13	55	Dubrovnik	S	9	48	Malta	S	16	61	Rhodes	S	12	54
Algiers	C	18	68	Edinburgh	S	6	43	Manchester	C	5	41	Rio de J'o	F	31	88
Amsterdam	S	7	45	Faro	S	14	57	Manila	F	29	84	Rome	F	9	48
Athens	C	7	45	Florence	S	6	43	Melbourne	S	21	70	Salzburg	C	-5	23
Bahrain	S	22	72	Frankfurt	C	-4	25	Mexico City	F	19	66	San Francisco	S	8	46
Bangkok	F	31	88	Funchal	F	21	70	Miami	C	13	55	Seoul	S	7	45
Barcelona	S	14	57	Geneva	C	2	36	Milan	C	2	36	Singapore	F	30	86
Beirut	-	-	-	Gibraltar	C	17	63	Montreal	S	-15	5	Stockholm	Sn	-4	25
Belfast	S	7	45	Glasgow	F	4	39	Moscow	S	-17	1	Strasbourg	C	-1	30
Belgrade	S	1	34	Guernsey	C	1	34	Munich	C	-1	30	Sydney	S	22	72
Berlin	C	1	34	Helsinki	F	-11	12	Nairobi	-	-	-	Taipei	F	19	66
Biarritz				H. Kong	S	21	70	Naples	S	10	50	Tangier	Dr	17	63
Bombay	S	30	86	Innsbruck	S	-1	30	Nassau	R	29	84	Tel Aviv	S	22	72
Bordeaux	S	13	55	Inverness	C	3	37	New Delhi	S	21	70	Tenerife	F	22	72
Brussels	S	4	39	Istanbul	C	16	61	New York	C	2	36	Tokyo	S	13	55
Budapest	S	-3	26	Jeddah	S	2	36	Nice	C	9	48	Toronto	Sn	-5	23
B. Aires	C	31	88	Jersey	C	0	32	Nicosia	S	19	66	Tunis	F	18	64
Cairo	S	23	73	Jo'burg	R	16	61	Oporto	F	13	55	Valencia	F	17	63
Cape Town	C	22	72	Lima	F	25	77	Oslo	S	-1	30	Venice	C	2	36
Caracas	C	25	82	Lisbon	C	11	52	Paris	C	-1	30	Vienna	F	-4	25
Casablanca	C	18	64	London	C	7	45	Peking	S	5	41	Warsaw	Sn	-3	27
Chicago	Sn	-7	19	Los Angeles	S	8	46	Prague	C	-5	23	Washington	C	-3	27
Cologne	Sn	1	34	Luxembourg	F	-3	27	Reykjavik	S	-1	30	Zurich	C	3	37
Copenhagen	C	1	34	Madrid	C	9	48								
Corfu	F	14	57	Majorca	S	16	61								
Dallas	F	1	34	Malaga	F	18	64								

Readings at mid-day yesterday

S-Sunny Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain C-Cloudy Sn-Snow Sl-Sleet Th-Thunder

Czechs want to rejoin the IMF

Continued from Page 1

vakia in recent months. "The Communists had lost control: new thinking was going on in many places. The Western press concentrated on the brutality of the police, which was important. But it missed the changes from below. The party leadership had only the power to liquidate demonstrations."

"There was little difference between me indulging in brinkmanship with the existing structures and that of the open dissidents who were being arrested."

Dresdner, BNP launch bid

Continued from Page 1

are not disclosed but include gains from trading on the bank's own account, had also risen strongly. Another executive revealed that 10 months' earnings had already exceeded the full year's figure in the bank's previous best year.

Heralding a string of new developments in eastern Europe, Mr Röller said that the bank was already in talks to set up an operating unit in Hungary, while it also planned to establish a representative office in Poland. The political opening in Eastern Europe represented "a historical chance for the Federal Republic, and also for our bank," he said.

Meanwhile, the bank announced the completion of its domestic insurance strategy, with the long-awaited conclusion of exclusive marketing pacts with Deutsche Herold, Hamburg-Mannheimer and Victoria, three leading German insurers.

The latest pacts complete the process started in March this year, when the bank struck a marketing deal with Allianz, Germany's leading insurer.

THE LEX COLUMN

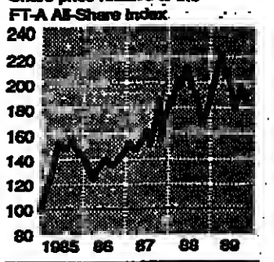
Wrong numbers on mobile phones

The UK Government's largesse in handing out licences for the new generation of mobile telephones may be better news for the consumer than the licensees. The market for personal communications networks will doubtless be immense, but so will the expenditure. The three PCN operators will be investing at least £1bn apiece, to which must be added extra competitive spending by the cellular operators, to say nothing of fixed link and Telepoint. The PCN networks are not expected to move into profit before 1997 or so. Meanwhile, it is unclear whether they will become the dominant force in the UK telecoms market or whether they will be squeezed between the public service networks at the bottom of the market and cellular at the top.

Yesterday's result left the shares of the surprise loser GEC almost unchanged, while those of STC and British Aerospace were up only 5 per cent and 3 per cent respectively. This seems broadly sensible. The biggest winner could yet prove to be Cable & Wireless, which will compete with British Telecom on both mobile and conventional phones while also enjoying useful links with the West German cellular market. As for GEC, it might do better selling equipment to the PCN operators than competing with them.

Carlton Communications

Share price relative to the FT-A All-Share Index



Carlton Communications

Rapid profits growth, a flurry of acquisitions, involvement in the media, a chief executive who has been voted young businessman of the year – Carlton has all the elements of a company which is going to come a mighty cropper some day. But for the moment it is hard to spot the flaws. With the acquisition of Technicolor, Carlton has a solid core as one half of the duopoly operating in the video duplication industry. The sell-through market for pop videos and feature films has taken off, now that the retail price is down below £10, and Carlton has safeguarded its position through contracts with many of the major Hollywood studios.

The company's other main operations – in television image processing and facilities – should gain from the expansion of independent TV production implicit in both the Broadcasting Bill and the growth of satellite broadcasting. And the expected sale of Cosworth, the car engine group inherited from UEI, will eliminate gearing and leave the group a nicely focused holding for US and Japanese investors trying to buy into the European broadcasting industry.

All this comes at a price – a current year multiple of 14.5, assuming 12 per cent earnings growth after last year's 30 per cent. Given that record, investors can evidently forgive the group's refusal to break down its profits by subsidiary. In the long term, over-confidence could be the greatest hazard. Young thrusting companies always make one acquisition too many; a regional television contractor is reputed to be high on Mr Green's shopping list.

English China Clays

ECC's poor reading of the paper industry's business cycle in the last couple of years has been embarrassing, costing it 2 to 3 percentage points of the market for kaolin and calcium carbonate in Europe. But judging by yesterday's 6p rise in the company's share price to 428p, the episode is past history. Although ECC's mere 2.5 per cent growth in earnings per share fell a long way short of its usual standards, the City's thinking seems to be that this is still a company with a near 50 per cent share of the market in its core business, coated paper. Demand can be expected to grow at 3-4 per cent per annum; and on that basis, ECC surely deserves a rating better than 9.2 times expected earnings.

But it is hard to see that the re-rating should be especially dramatic. True, pre-tax profits should move ahead again next year. ECC's UK aggregates division is likely to see flat growth and housebuilding will be grim; but the company has already stored up perhaps £5m of cost savings and interest charges should fall sharply.

The worry is that ECC has not solved the question of what to do with the cash pumping out of its clay business. Assume cash flow of about £215m next year, and it could have zero gearing by next autumn, against grossly understated net assets of around £750m. If the market starts to think ECC is readying itself to buy something big, one wonders just what the impact on sentiment will be.

Retail sales

Consumers may think that Christmas starts earlier every year; but for retailers, 1989's Yuletide cheer is worryingly delayed. November's 0.8 per cent sales decline, against an expected small increase, follows an 0.4 per cent fall in October. Anecdotal evidence is already emerging of shoppers buying more modest presents. Such a spending shift should be good news for low-ticket retailers such as WH Smith and Ratners, but spells even greater gloom for fashion and electricals stores.

The sales figures are admittedly erratic and prone to substantial revision. But some stores, faced with a choice between carrying stock at high interest rates and losing margin, have already begun to cut prices. Those who shop late may get the best bargains – and that probably applies to those considering an investment in the stores sector.

S & N

This year's interims from Scottish & Newcastle are particularly uninformative, not only because of the lack of divisional detail. The big strategic issue for the group is how to maintain the stimulus to earnings from the sale of its hotels, which took place at the end of the reporting period. The suggestion is that it might pick up brewing capacity from regional or national competitors. The worry for the market is whether it can do so at around 12 times earnings, its own current rating.

The other worry is that Elders, having flogged its 22 per cent stake around the world to no apparent effect, might have to place it in the market. At yesterday's 339p, the shares go some way towards discounting either possibility. Also, the hotels sale should ensure spectacular earnings growth for the full year, perhaps of the order of 25 per cent. But there is still an element of bid premium, and that looks more remote than ever.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday December 12 1989

INSIDE

Ciba-Geigy turns back to basics

Ciba-Geigy is world renowned for its chemicals. But in recent years it has been expanding its electronics activities. It was something of a surprise, then, when it announced yesterday that it was selling Spectra-Physics, the US laser manufacturer acquired only two years ago, and Swiss specialist electronic equipment maker Gretag. John Wicks reports on a move intended to allow the Basle company to "sharpen its focus on the core business of pharmaceuticals and agricultural and special chemicals". Page 20

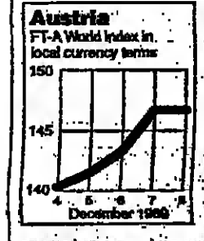
Out of the melting pot

The welding of Société Générale de Belgique's sprawling non-ferrous mining interests into a single streamlined force is arguably one of the most significant decisions taken by the company's new management in the wake of the gripping takeover tussle of last year. It provides a clear strategy for the non-ferrous metals activities for the first time since SGB's valuable mining interests in Zaire were nationalised in 1967. And according to Herve de Carmoy, SGB's chief executive, it paves the way for the emergence of a big international grouping to rival industry giants like RTZ and Metallgesellschaft. Page 26

The pound is always greener

UK farmers receive less for most of what they produce than almost any of their colleagues in the European Community. But at least part of their penalty could be removed if the green pound were to be devalued. Last week, Sir Simon Gourlay, president of the National Farmers' Union, demanded just this, but Mr John Gummer, Britain's agriculture minister refused even to discuss the possibility publicly. In his Farmer's Viewpoint, David Richardson explains the concept of green currencies and argues that a 10 per cent devaluation of the green pound across the board would raise consumer prices by less than 1 per cent while increasing UK commodity support prices by £600m. Page 32

Leaders step up pace



Those stock markets that are on course to scoop the medals at the end of the year found a new burst of energy last week as they caught sight of the finishing line in the global race. Austria was out in front again, spurting ahead by 6.3 per cent over the week. Its gain since the start of the year is 85.5 per cent in local currency terms — impressive enough, but not even close to the 113.6 per cent rise achieved over the year by Mexico. Page 44

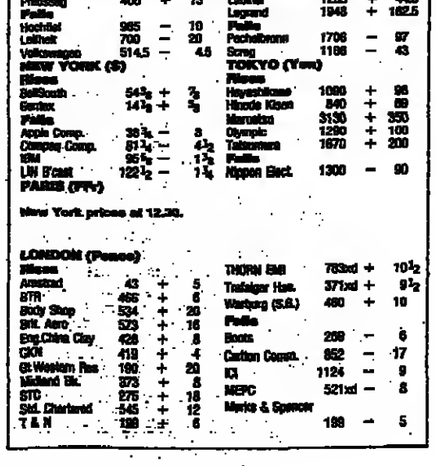
Taming the beast

To one broker the fast-growing and highly-profitable market in US dollar-denominated Japanese equity warrants is "a wild and open market". And this has clearly not been lost on the Japanese Ministry of Finance. For — citing investor protection as its prime motive — the ministry is seeking to tame it and the brokers who operate in it. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday



FRANKFURT (DM)			
Rises			
Brown Boveri	610	+	20
Dresdner Bk.	398.5	+	8
Pressenz	400	+	15
Falls			
Hochtief	965	−	10
Leifheit	700	−	20
Volkswagen	514.5	−	4.5
NEW YORK ($)			
Rises			
BellSouth	54⅜	+	⅞
Gerber	44⅛	+	⅝
Falls			
Apple Comp.	38⅜	−	3
Compaq Comp.	51¼	−	4½
IBM	95⅝	−	1½
LIN B'cast	122½	−	1¼
PARIS (FFr)			
Rises			
Champrs	1320	+	13.5
Essilor	1429	+	78
Lebinel	1205	+	44.5
Legrand	1948	+	182.5
Falls			
Pechelbronn	1706	−	97
Scrg	1186	−	43
TOKYO (Yen)			
Rises			
Hayashikane	1080	+	96
Hinode Kisen	840	+	89
Marubun	3130	+	350
Olympic	1290	+	100
Takamura	1670	+	200
Falls			
Nippon Elect.	1300	−	90

New York prices at 12.30.

LONDON (Pence)			
Rises			
Amstrad	43	+	5
BTR	466	+	6
Body Shop	534	+	20
Brit. Aero	523	+	16
Eng.China Clay	428	+	8
GKN	419	+	4
Gt Western Res	190	+	20
Midland Bk.	373	+	8
STC	275	+	18
Std. Chartered	545	+	12
T & N	198	+	6
THORN EMI	783xd	+	10½
Trafalgar Hse.	371xd	+	9½
Warburg (S.G.)	480	+	10
Falls			
Boots	269	−	6
Carlton Comm.	852	−	17
ICI	1124	−	9
MEPC	521xd	−	8
Marks & Spencer	188	−	5

McCaw wins bid battle over LIN

By Roderick Oram in New York

BELLSOUTH yesterday dropped out of the running for LIN Broadcasting, clearing the way for LIN's takeover by McCaw Cellular Communications.

The deal will make McCaw, 22 per cent owned by British Telecommunications, the most powerful provider of cellular telephone services in the US and will lay the foundation for the creation of the first national cellular network.

BellSouth, the largest of the US regional phone companies created by the break-up of AT&T in 1984, became LIN's white knight after McCaw opened the bidding in June at $120 a share, some $6.5bn in total.

LIN's board used its merger agreement with BellSouth to force McCaw to improve its offer to a package worth between $122 and $140 a share, according to varying analysts' estimates. BellSouth's offer was worth about $115 to $125 a share.

BellSouth quit the fight yesterday, saying its existing terms were the best it could offer if it were to run the combined LIN and BellSouth cellular operations "in the manner necessary to meet the economic expectations of BellSouth's shareholders".

From the start, Wall Street analysts had been sceptical that a regional Bell company could match the financial engineering of McCaw.

Under the merger terms, McCaw will pay $154.11 each for 21.9m LIN shares, giving it, with its current small stake, some 51.1 per cent of the company. The remaining minority shares will keep trading publicly for five years. LIN's independent directors and advisers will then set a price for McCaw to buy the minority.

Cautiously in public and more outspokenly behind the scenes, McCaw had criticised BellSouth during the fight for being insufficiently committed to cellular's future.

McCaw moved quickly to mend fences yesterday. It agreed to pay $26.5m to Los Angeles RCC's, the company 15 per cent owned by McCaw and 85 per cent by BellSouth which in turn owns half of one of two cellular licences in Los Angeles. The other half is owned by LIN.

The money will be spent on upgrading the joint company's equipment and service, which McCaw had said during the fight were sadly deficient.

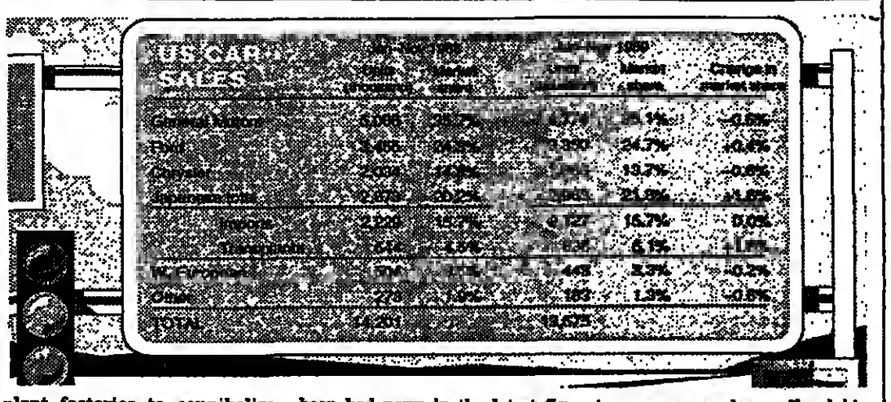
Through LIN, McCaw will also jointly own with BellSouth a licence in Houston.

BellSouth will also receive $66.5m from LIN for agreeing to terminate their merger agreement.

Lex, Page 18

Japan revives Motown blues

Anatole Kaletsky on problems facing the US car industry



It seems like a recurrent nightmare. A decade after they dragged the whole US economy into recession in the early 1980s, Detroit's Big Three car manufacturers are once again tormented by a familiar set of horrors: declining sales, excess capacity and sharply-falling profits.

But just as in the car industry's nightmare of the early 1980s, a deeper menace lurks behind this humdrum litany of business cycle complaints. That menace is again Japan — as Mr Lee Iacocca, chairman of Chrysler, made quite plain last week when he announced his company's decision to sell its aerospace and defence subsidiaries in order to concentrate all its resources on the "fierce" competitive struggle that lies ahead.

Until recently, the US car makers were reluctant to acknowledge how vulnerable they remained to the relentless challenge from Japan. As long as the demand for cars was strong, the Detroit companies were able to content themselves with modestly declining shares of a robust market. Since the mid-1980s, the US manufacturers' combined share of the car and light truck market has fallen by around three percentage points to 75.6 per cent in the first 11 months of this year.

For a while, as US quality and productivity improved and the dollar depreciated sharply, it seemed possible that American car makers might gradually recapture some of their lost market shares.

Perhaps the greatest comfort to Detroit was that the Japanese seemed to be shifting strategy themselves. Instead of pushing imports, and using an overvalued dollar to undercut their Detroit rivals, Japanese car makers were spending billions on building car plants in the US.

The Japanese commitment to US production seemed like the strongest evidence that US manufacturing and labour costs were reaching parity with Japanese levels. It also seemed to offer some assurance that future competitive conditions would not be distorted by wild currency movements as they had been in the first half of this decade.

The hope was that Japanese inward investment would create more of a level playing field. As the yen appreciated against the dollar, a widespread assumption among analysts was that the 2m Japanese "transplants" would not cut into Detroit's production but would instead "cannibalize" demand for the 2.3m cars exported from Japan to the US each year.

However, since the beginning of the 1990 model year in October, a deep sense of gloom has spread around Detroit. With the ending of the extremely costly discounts and incentives which had been used by the US car markets to clear out unwanted stocks of 1989 models, the dismal industry-wide sales figures have suggested strongly that the long-dreaded cyclical downturn in the US car market may have begun.

But what Detroit has found even more alarming, has been the breakdown of the sales figures between US-based and Japanese manufacturers. For this has suggested a much more serious long-term threat to Detroit's prosperity than the cyclical recession for which all three of the US car makers had been preparing themselves for years.

The recent sales figures have shown that Japanese car makers have no intention of using transplant factories to cannibalize their own sales of imports. Instead they seem to be eating ever more voraciously into Detroit's market share.

While each of the US-based manufacturers reported lower market shares in the first two months of the 1990 model year than the year before, all five of the leading Japanese manufacturers — Toyota, Nissan, Honda, Mazda and Mitsubishi — substantially increased their sales. As a result, the Japanese manufacturers accounted in November for 30.4 per cent of the US car market, against a share of 25.6 per cent a year ago.

The figures were particularly disturbing for Chrysler, whose sales fell by 14 per cent in November, reflecting an onslaught by the Japanese not only on its traditional car lines but also on the hugely-successful and profitable market for family vans and jeeps. The 35 per cent fall in Chrysler's share price from a high of $29¼ this summer to $19¾ reflects Wall Street's growing concern about the $14bn investment that the company says it will have to make over the next five years to revamp its entire product line.

But in a way, General Motors is even more seriously threatened since the Japanese challenge continues to be aimed mainly against its still huge market share.

Even for Ford, by far the most successful of the US-based car makers at present, there has been bad news in the latest figures on sales. These showed the first decline in market share for many years.

As Japanese-owned factories in the US steadily ramp up their production from the current annual rate of 1m units to an estimated 2m by 1993, this pincer movement between falling demand and rising Japanese imports and production seems likely to continue, for at least five reasons:

- The Japanese are shifting their product mix dramatically up-market. Increasingly they are building their traditional mass-market cars in the US, while they expand market share with imports of new luxury models and special-purpose vehicles like family vans and jeeps.

Imports of standard Toyotas, Nissans and Hondas are giving way to up-market models like the Lexus, Infiniti and Acura; and the remainder of the Japanese import quotas are being eagerly seized by second-tier specialised manufacturers like Mazda, Isuzu and Mitsubishi.

- While growing sales of Japanese vehicles are damaging European importers even more than Detroit, the European's market share may soon be cut to a virtually irreducible minimum of ultra-luxury and status demand.

The squeeze on the top end of Detroit's model lines will then become even more intense. At the bottom end of the market, Hyundai, the Korean car maker which made a spectacular debut two years ago, has suffered big sales setbacks as a result of product problems in the last year. If Hyundai and other third world car makers should make a comeback, the main victims would now be the Detroit companies, and not the increasingly up-market Japanese.

- Because the Japanese car plants in the US employ younger and largely non-unionised workers, with much lower health benefit costs, they typically spend $600 less to make each vehicle than their competitors in Detroit.
- The Japanese flexible manufacturing systems and huge R&D investments have enabled them to introduce new models extremely rapidly. This flexibility has given the Japanese a vital marketing edge, responding rapidly to shifts in consumer tastes, such as the growing demand for family vans and jeeps.
- Demographics also favour the Japanese. Their customers started young and are moving up-market. In contrast some of the US marques, notably Cadillac and Oldsmobile appear to be in danger of dying with their clientele.

The first lesson Detroit and Wall Street are drawing from the Japanese challenge is that US quality and productivity are still not high enough. But in the months and years ahead, more will be heard of another familiar analysis: that Detroit requires more protection, since competition against the Japanese simply doesn't work.

Bullish forecast for water shares

By Clare Pearson in London

SHARES IN the 10 water and sewage companies being privatised by the British Government are expected to make a buoyant debut on the London stock market this morning as investors chase shares in the heavily-oversubscribed £5.24bn ($8.28bn) flotation.

All the companies should rise to big premiums, powered by frustrated demand from institutional buyers, who have seen nearly 30 per cent of shares initially allocated to them taken away to help cover big public applications.

Full implementation of these switching arrangements means private investors are now entitled to £2.5bn, up from an initial £1.4bn, of the total flotation. But those who applied for large numbers of shares will still receive far fewer than what they applied for.

With 2.7m public applications made in all, water has taken its place among the best-sellers in the Government's privatisation programme. In total, private buyers asked for 5.7 times the number of shares initially laid aside for them.

Water prices quoted by I.G. Index, the financial bookmaker, jumped yesterday following confirmation of the strong demand. The bets were that the companies' shares would close today at premiums of between 25p and 33p to the 100p partly-paid price.

There are significant differences in the way allocations are shared out under the separate offers, depending on the level of over-subscription. In five out of the 10 companies, applications for more than 800 shares will be cut back.

However, J. Henry Schroder Wagg, financial advisers to the Government, stressed yesterday that more than half the people who applied for shares in their local companies would get as many shares as they wanted.

Roughly half the public applications came from such applicants. Investing locally ensured a person would receive preferential treatment over outsiders, and generous shareholders' incentives. Asked to choose between opting for bonus shares on a one-for-10 basis after three years, or a cash discount off the later share price instalments, about 60 per cent of customers opted for the loyalty shares.

Their decision to take the longer-term perk was made in spite of uncertainties about how the position of the privatised water sector might be altered under a Labour Government.

Details page 28

Taiwanese buy Wyse Technology

By Peter Wickenden in Taiwan and Louise Kehoe in San Francisco

CHANNEL INTERNATIONAL, a Taiwan-based consortium funded in part by the Taiwanese Government, yesterday agreed to acquire Wyse Technology, the ailing US computer-maker, for $268m.

The deal marks the largest overseas acquisition by Taiwan, which, for the last two years, has been actively pursuing the acquisition of foreign technology.

Channel will pay $10 a share for Wyse stock, company and government officials said in a press conference. The total value of the transaction includes $156.7m for outstanding shares in Wyse, and another $111.7m worth of convertible bonds issued on the Luxembourg exchange.

The principals in the consortium are the privately-owned China Trust Group, Pacific Petrochemical, USI Far East, the Mitac Group, a leading Taiwan personal computer manufacturer, and a development fund set up by the Taiwan Government.

Consortium members are to put up $120m of the equity, and the rest will come from unidentified banks.

Wyse went on the auction block earlier this year largely due to sluggish sales of its personal computers, which accounted for 39 per cent of its total 1988 sales. The company, however, still holds a substantial share of the world market for terminals, making it number two after IBM.

According to Dr C.F. Koo, chairman of the China Trust Group, which holds a 29 per cent stake in the consortium: "Wyse is a world-class computer-products company that currently holds a 50 per cent share of the US general-purpose terminal market, and [one] that is well-known for its outstanding products, people, and distribution capabilities."

Channel officials added that Wyse's headquarters, marketing, and other operations would remain in San Jose, California, and that the company would maintain its focus on its traditional lines, including personal computers.

Wyse, founded in 1981, was widely regarded as a high-tech success story in its early years on the basis of booming sales of its inexpensive computer terminals, which are used with mainframe and minicomputers. The company's problems began in mid-1988 after it entered the personal computer industry. After initial success, it fell behind other makers of IBM-compatible PCs.

Sales began dropping while a huge inventory of unsold computers built up at the company and its distributors. The company's cash reserves dwindled.

In January, the company laid off 560 workers and announced the resignation of Mr Phillip White, president, whose responsibilities were taken over by Mr Bernard Tse, founder and chief executive.

Last month, the company reported a net loss of $3.6m or 25 cents per share on sales of $119m for the second quarter ended September 30. That compares with net income of $3.3m or 24 cents on sales of $129.4m in the year-earlier period.

Finnish forest groups to merge

By Enrique Tessieri in Helsinki

THREE big Finnish forest product groups yesterday signed a letter of intent to merge their pulp operations into a new concern which will be Finland's largest pulp company and one of the biggest in Europe.

Metsä-Serla, one of Finland's major forest industry groups with turnover reaching FM7.59bn ($1.81bn) in 1988, United Paper Mills (UPM), another leading forest group, and the Finnish forest owners' co-operative Metsäliitto will combine their pulp operations to form Metsä-Botnia.

Kemi, a large pulp company in northern Finland, will also be acquired by Metsä-Botnia in the deal.

The new company will have an annual pulp making capacity of 800,000 tonnes and a turnover of around FM2.6bn in 1989. It is seen by analysts as an attempt to address increasing competition within the European forest products market in the 1990s by securing adequate supplies of pulp, as well as to rationalise investment expenses at home.

In the past two months, both Rauma-Repola, an engineering and forest group, and Enso-Gutzeit, another leading paper company, have decided to expand their pulp production by building new mills in Finland. Metsä-Botnia also revealed plans yesterday to build two new pulp mills in the towns of Kajaani and Kaskinen.

Ownership of Metsä-Botnia, which has a share capital of FM366m, is as follows: Metsä-Serla 30 per cent, Metsäliitto (which owns 48 per cent of Metsä-Serla) 23 per cent and UPM 42.6 per cent. Negotiations are presently under way with the insurance company Tapiola and Pohjan Sellu, a pulp company, for the remaining 4.4 per cent ownership of the new company.

Late last month Metsä-Serla also made a bid to acquire full ownership of UK Paper, the leading fine paper group which was bought out from Bowater Industries in 1986. UK Paper's shareholders will give their reply to Metsä-Serla's bid on December 28.

It was only last July that Metsä-Serla pulled out of the EC when it sold its tissue paper units to the West German Papierwerke Waldhof-Aschaffenburg (PWA).

Ciba-Geigy to reduce its electronics activities

By John Wicks in Zurich

CIBA-GEIGY, the Swiss chemicals concern, is substantially to reduce its activities in the electronics sector through the sale of its US subsidiary Spectra-Physics and the Swiss company Gretag.

The move is intended to allow the company to "sharpen its focus on the core business of pharmaceuticals and agricultural and special chemicals," it said yesterday.

Spectra-Physics, based in San Jose, was bought by Ciba-Geigy in 1987 for $277m. It is the world's leading manufacturer of lasers, laser systems and chromatography instruments, as well as a leading producer of analytical systems. Its 1989 turnover is put at the equivalent of SFr545m ($340m).

Gretag, of Regensdorf, specialises in the production of electronic equipment and systems for use in photo-finishing, printing, data communication and projection display. Sales this year will be about SFr190m. Ciba-Geigy also intends to dispose of a 37 per cent stake in the US company 3-d systems, which is active in the development and manufacture of stereo-lithography technology.

In the case of Spectra-Physics, Ciba-Geigy says the activities of the subsidiary have been tending away from equipment and towards systems, thus moving into new client sectors and away from the Swiss company's core business.

The Gretag group has for its part become less interesting for the Basle parent since it sold its Ilford photographic division to International Paper of the US earlier this year.

In the past years, Ciba-Geigy has been expanding its electronics activities. Following the acquisition of Spectra-Physics in 1987, turnover of the corresponding division "electronic systems" rose by 35 per cent last year to SFr1.1bn.

At the start of this year, sales jumped further due to the takeover of the Toledo Scale concern in Ohio, divisional turnover reaching SFr1.27bn for the first nine months of 1989.

The Swiss company stresses it has no plans to divest Toledo Scale, now integrated into the Swiss Ciba-Geigy subsidiary Mettler. This year, Mettler-Toledo is expected to book sales of SFr1bn and is a worldwide leader in the field of electronic weighing equipment.

As yet, no buyer has been identified for Spectra-Physics and Gretag. Ciba-Geigy says it will seek to sell them to "strategic corporate buyers committed to devoting the resources required to develop their technology and markets."

Ciba-Geigy intends to continue co-operation with Spectra-Physics in "selected areas" even after divestment.

Drug groups may co-operate

By William Dawkins in Paris

RHONE-POULENC and Hoechst, the French and West German chemicals companies, are discussing co-operation accords in pharmaceuticals and other areas, company officials said yesterday.

The agreements are awaiting the French Government's final decision on the future of the state's 40 per cent stake in Ronssel-Uclaf, the French-based pharmaceuticals company which is 54.5 per cent owned by Hoechst.

The Paris Government is considering transferring its Roussel-Uclaf stake to Rhône-Poulenc, which is also state-controlled, and putting representatives of the French chemicals group on the board. If the Government gives its go-ahead for the transfer, the accords could be completed over the following few weeks.

Five co-operation areas have been discussed in frequent contacts over the past few weeks between the German and French companies.

The first is vaccines, where Institut Mérieux, a Rhône-Poulenc subsidiary, already works with Hoechst's vaccine offshoot, Behring, on malaria research in Eureka, the European cross-frontier technology co-operation programme.

Another area of co-operation is over-the-counter medicines, where the pair are studying using each others' distribution networks and conducting joint marketing.

They are also considering co-operation in high-performance ceramics, environmental protection – including the treatment of chemical waste – and process control.

COMPANY NEWS IN BRIEF

THE public offering by the Dutch state of 26m shares in the newly-created Dutch banking group, NMB Postbank, has been 2½ times oversubscribed, Reuter reports.

Private investors would be favoured in the share allocation, with applications for up to 50 shares allocated in full. Cnts in larger applications would be decided by each member of the banking syndicate individually.

■ SKF, the Swedish bearings group, has made a new, unspecified bid for McGill Manufacturing of the US, Reuter reports. McGill rejected an earlier $72 per share cash tender offer from SKF.

■ Merrill Lynch, the US broker, categorically denied reports it has acquired a 25 per cent stake in Feldmühle Nobel, AP-DJ reports. In response to comments by Veba's chairman, Mr Klaus Piltz, Merrill also denied that it has offered any Feldmühle Nobel shares to Veba. The comments were carried in an AP-DJ story in Friday's International Edition of the Financial Times.

■ Sumitomo Life Insurance, Japan's third largest life insurance company in assets, will join a project to establish a new real estate investment firm in Europe, Reuter reports.

Sugar says Amstrad will not go private

By Michael Skapinker

MR ALAN Sugar, the chairman of Amstrad, the UK electronics company, told shareholders yesterday that he did not intend to take the company private.

Less than two months ago, Mr Sugar had threatened to reprivatise the company if the stock market did not give its shares a higher rating.

He said then: "I see no necessity for remaining in the firing line if we are not being thanked for it by any form of rating." Amstrad's shares closed at 43p yesterday, 5p up on the day. At their highest point last year they traded at 234½p.

Addressing the company's annual general meeting yesterday, Mr Sugar was in far less combative mood. Asked whether he intended to emulate Mr Richard Branson, chairman of the Virgin Group, he said: "I'm not going up in a balloon, if that's what you mean." Mr Branson took his group private last year.

Mr Sugar said that "contrary to what people think, I and my directors can't complain about being a public company." He said he had enjoyed being in the public arena when times were good, and he was prepared to stick with it when times were bad.

In the year to 30 June, Amstrad's pre-tax profits fell to £76.6m ($120m), compared with £160.4m the previous year, on virtually unchanged revenues of £626.3m.

Thomson pays FFr920m for Axa warehouse

FRENCH insurer Groupe Axa has agreed to sell its warehouse and storage subsidiary Garonor to state-owned electronics group Thomson for FFr920m, the companies said in a joint statement.

Thomson's banking unit Société de Banque Thomson, which recently merged with state banking group Crédit Lyonnais would buy Axa's 76.4 per cent stake in Garonor at FFr865 per share.

La Générale irons out problems

Tim Dickson on a big reorganisation of non-ferrous metals assets

"Noel Masson explained: "The idea is to have a business which links the mine to the customer in a much more efficient and more cost-effective way."

Mr Masson, chief executive of Acec-Union Minière and chairman of Metallurgie Hoboken-Overpelt (MHO) and Vieille-Montagne (VM), was speaking before the formal announcement in Brussels last week of a big reorganisation in the non-ferrous metals assets owned by Société Générale de Belgique (La Générale), Belgium's most powerful holding company.

The move is arguably one of the most significant taken by La Générala's new management in the wake of last year's gripping takeover tussle. It is designed to bring the group's interests in this sector under one management roof and lay the foundations for a more integrated operation.

It also provides a clear strategy for the non-ferrous metals activities – for the first time since La Générale's valuable mining interests in Zaire were nationalised in 1967. It offers another opportunity for La Générale's new owners, the French investment bank Compagnie Financière de Suez, to show its commitment to Belgium and to the long term. Mr Hervé de Carmoy, La Générale's chief executive, believes it also paves the way for the emergence of a leading international grouping to rival giants such as RTZ and Metallgesellschaft.

However, there remain important questions for Acec-Union Minière, as the newly merged entity will be known. How will it overcome its shortage of upstream capacity, notably in zinc? Where will the promised savings and investments in the new group be made? And how will management maintain earnings when current highly profitable metal prices take a dip?

Many investors will be concentrating their efforts, for the moment, on putting together the pieces in the new jigsaw. There are four very different parts to the puzzle.

■ MHO, which employs 6,500 people and boasts a turnover of BFr98bn ($2.64bn), is a specialist in complex metallurgy. It extracts and refines 22 different metals ranging from copper and silver, where it is a European leader, to germanium and cobalt, where it is a world leader.

■ Vieille-Montagne, one of the oldest names in the business, founded in Liege in 1837. Its basic business, responsible for about two-thirds of turnover, is the production and processing of zinc and its derivatives. A sign of the current health of the business lies in the turnover figure of BFr32bn for the nine months ended September – against BFr36bn for the whole of the previous 12 months.

■ Mechim, a small engineering specialist set up to serve all the group's non-ferrous metals subsidiaries. Its latest annual turnover was BFr2bn and it employs 70 people.

Hervé de Carmoy: paves way for international grouping

Noel Masson: move links customer to the mine

■ Sogem, formerly known as Générale Trading, which has been recast after a period of heavy exceptional losses, to become the international commercial trading arm for non-ferrous metals.

These four businesses will be welded into a single operating company, Acec-Union-Minière, through the mopping up by Acec-UM of most of the stakes La Générale does not already own. These are 24.7 per cent of MHO, 4.03 per cent of Vieille-Montagne and 1.67 per cent of Mechim. Sogem, in which Acec-UM has more than a 95 per cent controlling interest, will, for the moment at least, remain a separate company.

The terms of the share exchange – calculated at arm's length by Morgan Stanley and the UK metals specialist Brook Hunt – were sufficiently generous to buy the collaboration and support of the main minority stakeholder in MHO, the Antwerp-based investment group Belcofi, though in practice La Générale already had enough firepower to force through its plans.

The new Acec-UM will be 87.5 per cent owned by La Générale. It is projecting 1989 net profits attributable to La Générale of BFr8.9bn, and puts its own funds at BFr34.7bn The ratio of own funds to long-term debt will be just less than 3:1, a level of gearing which Mr de Carmoy believes puts the group in a strong position to carry out its investment plans.

The key transformation will turn Union Minière from the largely passive holding company, which the new La Générale management inherited, into a "hands on" operator with a more coherent approach. (Union-Minière became Acec-Union Minière earlier this year when, for mainly tax reasons, Acec, an electrical engineering business, effected a reverse takeover of La Générale's non-ferrous metals side).

Operationally all Acec-UM's zinc activities – including Union Zinc and MHO's Overpelt business – have already been regrouped under one management in Vieille-Montagne, which remains a trading name and a division of the newly integrated business.

Following extensive internal studies – with the aid of outside consultants – La Générale has also brought the errant trading arm, Sogem, effectively back into the new structure reporting to Mr Masson. The other key service activity, engineering, has for some time been redirected towards problem-solving for Acec-UM's own customers, rather than licensing its technology to outsiders.

One of the major benefits, however, should be to harness better the technical and commercial interdependence of Vieille-Montagne and MHO. These businesses under the old "Générale" were effectively left to pursue their own destinies, seldom collaborated, and they even competed against each other in zinc.

Mr Ferdinand Crabbels, chief executive of Vieille-Montagne, said: "By bringing the zinc businesses together and combining our investment policies we should be able to lower our break-even and avoid duplication."

"When MHO made a geographical prospect their research capability was often only geared to copper," added Mr Masson. "Now we will take into account other metals and we won't be in the situation where they discover something we can't process."

There are few short-term problems, with metal prices at their present levels and the stock market apparently enamoured with the new approach. At last week's suspension price of just over BFr5,000 La Générale's stake in non-ferrous metals could be worth two to three times its value 18 months ago.

The long-term challenge, however, is that unlike its competitors Acec-UM has few mines of its own. In the case of zinc, for example, it remains dependent on others for 80 per cent of its raw material.

The problem is less marked for MHO, though the market will always point to the 120,000 tonnes of blistered copper (40 per cent of total requirements) and 3,000 tonnes of cobalt supplied annually by the Zaire government-owned Gecamin.

La Générale insists there is no special risk – these quantities are the subject of a long-term contract whose price is negotiated each year, most recently in October.

The new financial muscle which Acec-UM has acquired with the latest merger will be a big asset in the search for new mines, or participations in new mines. Acquiring them will be an important step if it is to enter the big league to which it aspires.

INTERNATIONAL COMPANIES AND FINANCE

Wormald raises European profile in DM140m deal

By Chris Sherwell in Sydney

WORMALD International, the Australian-based fire protection group, is to buy West Germany's second largest fire protection company from the Krupp empire for DM140m ($79m).

The purchase of Total Walther Feuerschutz (TWF), announced yesterday, is Wormald's second significant acquisition in as many weeks. At the end of last month it announced the A$67.5m ($45m) purchase locally of O'Donnell Griffin, a fire and electrical company, from Australian National Industries.

The latest move will lift Wormald to top position in the West German market for installation of fire protection systems, with an estimated 35 to 40 per cent share. It is a leader in Australia, France and the UK.

TWF is understood to have annual sales worldwide of DM370m, of which DM320m are in West Germany. It is involved in the installation of fixed fire protection systems and the manufacture of portable fire extinguishers and sprinklers and Metz fire engines.

Mr Bob Mansfield, Wormald's managing director, said the acquisition was an important step in the group's European strategy ahead of 1992. "Europe is where a lot of the action is going to be over the next few years," he said. "And Germany is where we want to be."

The purchase, which will be for cash, coincides with the company's one-for-five rights issue (including a free option) to raise A$101.5m. The proceeds, with some borrowing, are being used for the O'Donnell Griffin and TWF acquistions.

Wormald's controlling shareholder is AFP, the investment group run by Mr Peter Scanlon, Mr John Geraghty and Mr Basil Sellers. But day-to-day running is in the hands of Mr Mansfield, who has turned the company from loss to profit by making asset sales and concentrating on its core business.

AFP, which has its headquarters in Monaco, is registered in London and is listed in Australia, acquired s 43 per cent stake earlier this year after Chase Corporation of New Zealand started to falter.

Further strong gains at Heinz

By James Buchan in New York

HEINZ, the US foods group, yesterday reported its usual strong increase in earnings for the second quarter and suggested it was on target for another record year.

The Pittsburgh-based company, one of the most consistent and profitable in US industry, said its earnings in the three months to November 1 rose 14 per cent to $125.4m or 47 cents a share on the strength of both higher prices and increased volume.

Sales revenues for the quarter rose 7 per cent to $1.53bn. The company said that volume increased in tuna, frozen potatoes and Heinz's highly successful Weight Watchers frozen meals.

For the first six months of its 1989-90 business year, Heinz reported a 15 per cent increase in earnings to $251.9m or 95 cents a share on a 6 per cent increase in sales to $2.98bn. Volume growth was 5.2 per cent.

Mr Anthony O'Reilly, chairman, said: "We are pleased with our year-to-date performance and we believe it provides the foundation for full-year growth which is consistent with our historical trend."

Heinz has increased its earnings without a break for 25 years and has been widening its profit margins for more than a decade.

Bond acts to ward off Adsteam

By Chris Sherwell

THE CRISIS over Mr Alan Bond's besieged corporate empire deepened yesterday as the Adelaide Steamship group pressed ahead with its application to have a receiver appointed at Bell Resources, the 58 per cent-owned subsidiary of Bond Corporation.

The Western Australian Supreme Court, which is hearing the petition, decided yesterday there would be a hearing next Monday to consider a request by Bell Resources for an injunction deferring the Adsteam action.

If this fails, the matter will go before a full hearing scheduled for January 3.

On a related move by Adsteam to put up five nominees for appointment as directors of Bell Resources, the court overruled Bond Corp's claim that the nominations were technically deficient. Bond sought a compromise with Adsteam over the weekend, but the names will now have to be considered.

In a related development, the National Companies and Securities Commission (NCSC), Australia's stock market watchdog, intervened in the court proceedings to ensure its representation, but made no substantive submissions.

Mr John Spalvins, head of Adsteam, launched his actions last week in an attempt to protect the value of the group's 19.9 per cent holding in Bell Resources. He is said to be particularly angry about a controversial A$1.2bn (US$1bn) "deposit" made by Bell Resources to Bond Corp.

The deposit relates to Bell Resources' planned purchase of Bond Corp's brewing interests, a deal yet to be consummated. The latest attempt, involving Lion Nathan, the New Zealand brewer, was shelved last Friday. The Bond empire's survival hinges on the sale going ahead.

The NCSC is investigating the deposit payment, along with other transactions involving the Bond empire, and this has provided a second important source of pressure on the whole group. The NCSC's view of the Adsteam petition for receivership of Bell Resources is unknown.

Other sources of pressure emanate from Mr Bond's bankers, growing increasingly anxious about prospects for repayment of their loans, and from Mr Kerry Packer, who has launched a 10 cents a share bid for Bond Media, which owns the group's Channel Nine television interests. Bond Media is due to pay Mr Packer A$200m in February under the terms of its A$1.05bn acquisition of his Channel Nine interests in 1987.

Also fighting the Bond group, on two fronts, is the Western Australian state government. One front is through its State Government Insurance Commission (SGIC) over an indemnity from Bond guaranteeing A$2.70 a share for its 20 per cent holding in the Bell Group, another Bond Corp subsidiary.

The SGIC is trying to sell its holding. As Bell Group shares stood at just 38 cents last Friday, Bond faces an enormous bill under the indemnity. However, Bond Corp is challenging the indemnity through the courts. It has also made its own offer for the holding.

The second battle is over an abortive petrochemical plant joint venture between the state government and Bond Corp. This is now in liquidation, but Bond Corp is suing the government for some A$225m in damages.

Alliance ousts Amef president

By Sari Gilbert in Rome

THE ALLIANCE seeking to wrest control of the Mondadori publishing company from Mr Carlo De Benedetti, the Italian financier, yesterday ousted the De Benedetti-backed president of the board of Amef, the financial holding company that owns 50.3 per cent of the company's ordinary shares.

In the latest round in the battle over Italy's largest publishing group, the new anti-De Benedetti majority of ordinary shareholders – Mr Silvio Berlusconi and the Formenton and Mondadori families – voted to revoke all the powers of Amef president, Mr Vittorio Ripa di Meana, confirming a total break between the two sides.

Mr Ripa di Meana, who refused to resign, had been elected in 1988 after Mr De Benedetti, then acting in concert with the Formentons, won control of Mondadori. In his place the board elected Mr Fedele Confalonieri, Amef's vice-president and the managing director of Fininvest, Mr Berlusconi's holding company.

The revocation of Mr Ripa di Meana's powers was the first direct response by the anti-De Benedetti group to Saturday's decision by a Mondadori board meeting attended only by De Benedetti allies to defy a judicial injunction and schedule an extraordinary meeting.

The board is seeking a L320bn ($245m) capital increase that would effectively invalidate Amef's absolute majority inside Mondadori.

Earlier in the day lawyers for Fininvest, Formenton and Mondadori asked Judge Gabriella Manfrin to declare Saturday's meeting null and void and announced they would ask a penal court to file charges against the Mondadori board for "failing to execute a judicial order." The judge has scheduled a meeting with both sides for tomorrow.

Amef's Berlusconi-led alliance also voted to ask the Mondadori board to schedule by no later than January 15 both an ordinary shareholders' meeting to elect a new board, and a special ordinary shareholders' assembly to ratify Mr Ripa di Meana's removal and discuss the proposed capital increase.

Together Fininvest and the Formenton and Mondadori families control about 60 per cent of Amef's capital. Amef owns no privileged shares, however, while Mr De Benedetti's 42 per cent of all Mondadori capital means thet in extraordinary meetings they are in the minority.

Debt wrangle at Koor has touch of déjà vu

By Hugh Carnegy in Jerusalem

AS A GROUP of Israeli bankers, their foreign counterparts and senior executives from Koor Industries file into a meeting in London today to discuss the debt crisis facing the big Israeli conglomerate, a powerful and depressing sense of *déjà vu* will accompany them.

Almost a year ago the same group was locked in negotiations to deliver Koor from a move, lodged in the Tel Aviv courts by Bankers Trust of New York, one of Koor's creditors, to liquidate the trade union-owned company after the emergence of huge losses which threatened its ability to service a debt, at that time, of $1.2bn.

By last June a rescheduling and restructuring deal had been worked out – involving a $100m write-off by Koor's Israeli creditors and a pledge of $50m equity capital from the Israeli Government – which led Bankers Trust to withdraw its wind-up action.

Nobody thought Koor's troubles were over. Three days later it announced 1988 net losses equivalent to more than $200m. But the company seemed to have won a breathing space in which to return to viability.

Today, however, Mr Benjamin Gaon, Koor's embattled chief executive, will again face his main creditors with the threat of liquidation looming like a ghost that defies exorcism.

This time it is the company itself which says its future is in doubt unless the banks come up with a further write-off of $125m. It says that even after the write-offs and equity injection pledged in June it cannot service its remaining $950m debt over the next five years.

The main element which hurled Koor back at the feet of its creditors was an unforeseen loss in its main subsidiary, Tadiran, which has led to forecasts of a group loss of $165m this year. Koor has warned that without the write-off it is requesting, it will be in breach of debt/equity requirements attached to $135m of bonds issued in the US and Israel.

This week Koor wrote to its shareholder, the Histadrut trade union federation, and Mr Shimon Peres, the Finance Minister, saying, in effect, that the enterprise, Israel's largest indnstrial gronp which employs about 22,000 people, would fall apart if it did not receive the help it was seeking.

Israeli and foreign creditors have reacted to all this with distinct unease. The group of foreign banks, headed by Manufacturers Hanover of New York, have made clear they do not like the idea of write-offs. Bankers Trust has even declined to attend today's meeting.

Having secured the right of "first out" in the June agreement, tha foreign creditors, who hold about 15 per cent of Koor's debt, are reluctant to renegotiate the rescheduling terms.

The Israeli banks want to do just that, however, and an acrimonious wrangle between them is in prospect. Where both sets of creditors do agree is in their scepticism over the figures presented them by Koor.

They suspect the cash flow "hole" at Koor may be much greater than $125m, partly because they fear Koor has overestimated the sums it can raise from selling Tadiran, which it now intends to do, and other assets.

They also appear to agree that the banks alone should not carry the whole burden of Koor's difficulties; bond holders are likely to be called on to share any write-off. The Government and the Histadrut will also be called on to play a part.

Mr Gaon's chief solace is that liquidstion is a highly complex option which may not serve the interests of any of the parties.

But his demand for the issue to be resolved by the end of the year looks hopelessly optimistic.

National Semi fights back to $2.4m profit

By Louise Kehoe in San Francisco

NATIONAL Semiconductor, the California-based chip maker, has returned to profitability after five quarters of losses.

The company reported net earnings of $2.4m or 0 cents per share, compared with a net loss of $25.2m or 27 cents per share in the second quarter of fiscal 1989. An operating loss of $1.4m was offset by interest income and the reversal of 1989 restructuring charges.

Sales for the second quarter were $416.8m, np from $404.6m from continuing operations in the same quarter a year ago.

For the first half, the group recorded a net loss of $19.5m or 24 cents on sales of $814.4m. This compares with a net loss of $55.7m or 58 cents in the first half of 1989 on sales of $849.5m.

Mr Charles E. Sporck, National Semiconductor president and chief executive officer, said: "We have met the profitability milestone which we set for ourselves earlier this year. We have made real progress in addressing inventory, capacity and other cost issues.

"We project flat performance for the semiconductor industry through the first half of calendar 1990. Over the past three quarters, National Semiconductor has made progress in improving our performance."

Mr Sporck said the group was convinced this progress would continne. The third quarter, historically a difficult one, would present a strong challenge in continuing this trend.

Magna falls C$9.9m into the red

By Robert Gibbens in Montreal

MAGNA International, Canada's largest independent car parts maker, suffered a loss of C$9.9m (US$8.53m) on sales of C$460m in the first quarter ended October 31.

A year earlier Magna earned C$5.5m or 19 cents a share on sales of C$434m.

Mr Frank Stronach, chairman and major shareholder, told the annual meeting that Magna was fully committed to returning to profitability, but he warned the quarterly dividend might be suspended temporarily next year.

The group plans to sell property and other non-core assets and to rationalise its manufacturing network. Long-term debt was nearly C$600m at July 31, and capital spending plus investment in joint ventures will decline from C$220m this year to C$125m in each of fiscal 1991 and 1992.

● Rio Algom, the uranium mining arm of Britain's RTZ group, is claiming an additional C$37m for the sale of its Atlas Steels stainless and alloy steel manufacturing and distribution business to Sonth Korea's Sammi Steel.

Sammi paid C$250m for the Atlas assets in Quebec and Ontario. The final price was to be subject to an accounting adjustment for the period January 1 to July 31 1989.

In a suit filed in Ontario Supreme Court in Toronto, Rio Algom claims the balance sheet it submitted last October should determine the adjustment and not Sammi's.

Several other issues are outstanding between the two companies, including the cost of environmental clean-ups at Atlas manufacturing sites at Welland, Ontario, and Tracy, Quebec.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on *Monday December 11, 1989*. *In some cases the rate is nominal. Market rates are the average of buying and selling* rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	62.4410	35.3517	43.2461
Albania	(Lek)	10.1358	6.3767	3.6102	4.4164
Algeria	(Dinar)	12.9586	8.1526	4.6157	5.6464
Andorra	(Fr Fr)	9.5950	6.0364	3.4176	4.1808
	(Sp Peseta)	181.15	113.9666	64.5235	78.9324
Angola	(Kwanza)	47.3430u	29.9180	16.8630	20.6287
Antigua	(E Carr $)	4.28	2.6926	1.5244	1.8649
Argentina	(Austral)	1036.35	651.9974	369.1362	451.5686
Aruba	(Florin)	2.8348a	1.7900	1.0097	1.2352
Australia	(Aus $)	2.0260	1.2746	0.7216	0.8827
Austria	(Schilling)	19.765	12.4347	7.0400	8.6122
Azores	(Port Escudo)	245.25	154.2938	87.3552	106.8627
Bahamas	(Bahama $)	1.5895	1	0.5661	0.6925
Bahrain	(Dinar)	0.5956	0.3747	0.2121	0.2595
Balearic Is	(Sp Peseta)	181.15	113.9666	64.5235	78.9324
Bangladesh	(Taka)	49.70	31.2676	17.7025	21.6557
Barbados	*(Barb $)*	3.1852	2.0039	1.1345	1.3878
Belgium	(Belg Fr)	58.90c	37.0556	20.9795	25.6644
		59.05g	37.1500	21.0329	25.7298
Belize	(B $)	3.1674u	2	1.1281	1.3801
Benin	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Bermuda	(Bermudian $)	1.5895	1	0.5661	0.6925
Bhutan	(Ngultrum)	26.30	16.5460	9.3677	11.4596
Bolivia	(Boliviano)	4.6481	2.9242	1.6556	2.0253
Botswana	*(Pula)*	3.0150	1.8968	1.0739	1.3137
Brazil	(Cruzado)	12.8453	8.0813	4.5753	5.5970
British Virgin Is	(US $)	1.5895	1	0.5661	0.6925
Brunei	(Brunei $)	3.0653	1.9284	1.0918	1.3356
Bulgaria	(Lev)	1.3344	0.8395	0.4752	0.5814
Burkina Faso	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Burma	(Kyat)	10.7780	6.7807	3.8390	4.6962
Burundi	(Burundi Fr)	268.75	169.0783	95.7257	117.1023
Cambodia	(Riel)	238.43u	150	84.9260	103.8910
Cameroon	*(CFA Fr)*	479.75	301.8244	170.8815	209.0413
Canada	(Canadian $)	1.8460	1.1613	0.6575	0.8043
Canary Is	(Sp Peseta)	181.15	113.9666	64.5235	78.9324
Cp. Verde	(CV Escudo)	121.3510	76.3453	43.2238	52.8762
Cayman Is	(CI $)	1.3145u	0.8300	0.4682	0.5727
Cent. Afr. Rep	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Chad	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Chile	(Chilean Peso)	439.97	276.7977	156.7123	191.7080
China	(Renminbi Yuan)	5.8679	3.6916	2.0900	2.5568
Colombia	(Col Peso)	658.88	414.5202	234.6856	287.0936
Comoros	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Congo (Brazz)	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Costa Rica	(Colon)	132.87	83.5923	47.3268	57.8954
Côte d'Ivoire	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Cuba	(Cuban Peso)	1.2619	0.7938	0.4494	0.5498
Cyprus	(Cyprus £)	0.7680	0.4831	0.2735	0.3346
Czechoslovakia	(Koruna)	22.82c	14.3567	8.1282	9.9433
		14.79l	9.3048	5.2680	6.4444
		14.79t	9.3048	5.2680	6.4444
Denmark	(Danish Kroner)	10.9075	6.8622	3.8851	4.7527
Djibouti Rep	(Djib Fr)	274.00	172.3812	97.5957	119.3899
Dominica	(E Carrib $)	4.28	2.6926	1.5244	1.8649
Dominican Rep	(D Peso)	10.7465	6.7609	3.8277	4.6825
Ecuador	(Sucre)	1013.025o	637.3230	360.8281	441.4052
		956.69a	601.8810	340.7622	416.8583
Egypt	(Egyptian £)	4.0630	2.5561	1.4471	1.7703
El Salvador	(Colon)	7.8893	4.9633	2.8100	3.4376
Equat'l Guinea	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Ethiopia	(Ethiopian Birr)	3.2541	2.0472	1.1590	1.4179
Falkland Is	(Falk £)	1.00	0.6291	0.3561	0.4357
Faroe Is	(Danish Kroner)	10.9075	6.8622	3.8851	4.7527
Fiji Is	(Fiji $)	2.3982	1.5087	0.8542	1.0449
Finland	(Markka)	6.6088	4.1577	2.3539	2.8796
France	(Fr)	9.5950	6.0364	3.4176	4.1808
Fr. Cty/Africa	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Fr. Guiana	(Local Fr)	9.5950	6.0364	3.4176	4.1808
Fr. Pacific Is	(CFP Fr)	170.00	106.9518	60.5520	74.0740
Gabon	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Gambia	(Dalasi)	12.1295	7.6310	4.3203	5.2851
Germany East	(Ostmark)	2.8075	1.7662	1	1.2233
Germany West	(DMark)	2.8075	1.7662	1	1.2233
Ghana	(Cedi)	476.03	299.4841	169.5565	207.4204
Gibraltar	(Gib £)	1.00	0.6291	0.3561	0.4357
Greece	(Drachma)	256.50	161.3715	91.3624	111.7647
Greenland	(Danish Krone)	10.9075	6.8622	3.8851	4.7527
Grenada	(E Carr $)	4.28	2.6926	1.5244	1.8649
Guadaloupe	(Local Fr)	9.5950	6.0364	3.4176	4.1808
Guam	(US $)	1.5895	1	0.5661	0.6925
Guatemala	(Quetzal)	4.5272	2.8481	1.6125	1.9726
Guinea	(Fr)	475.11	298.9053	169.2288	207.0196
Guinea-Bissau	(Peso)	1029.40u	650	366.6607	448.5403
Guyana	(Guyanese $)	47.33u	30	16.8584	20.6230
Haiti	(Gourde)	7.9186a	5	2.8204	3.4503
Honduras	(Lempira)	3.1765a	2	1.1314	1.3840
Hong Kong	(HK $)	12.4008	7.8016	4.4170	5.4033
Hungary	(Forint)	100.9721	63.5244	35.9651	43.9965
Iceland	(Icelandic Krona)	98.92	62.2334	35.2341	43.1023
India	(Indian Rupee)	26.30	16.5460	9.3677	11.4596
Indonesia	(Rupiah)	2844.30	1789.4306	1013.1077	1239.3464
Iran	(Rial)	112.10	70.5253	39.9287	48.8453
Iraq	(Iraqi Dinar)	0.4922	0.3096	0.1753	0.2144
Irish Rep	(Punt)	1.0640	0.6693	0.3789	0.4636
Israel	(Shekel)	3.1300	1.9691	1.1148	1.3638
Italy	(Lira)	2072.75	1304.0264	738.2902	903.1590
Jamaica	(Jamaican $)	10.1060	6.3579	3.5996	4.4034
Japan	(Yen)	229.50	144.3850	81.7453	100
Jordan	(Jordanian Dinar)	1.0591	0.6663	0.3772	0.4614
Kenya	(Kenya Shilling)	34.00	21.3903	12.1104	14.8148
Kiribati	(Australian $)	2.0260	1.2746	0.7216	0.8827
Korea North	(Won)	1.5362	0.9664	0.5471	0.6693
Korea South	(Won)	1066.88	671.2047	380.0106	464.8714
Kuwait	(Kuwaiti Dinar)	0.4722	0.2970	0.1681	0.2057
Laos	(New Kip)	923.30	580.8744	328.8691	402.3093
Lebanon	(Lebanese £)	727.26	457.5401	259.0418	316.8888
Lesotho	(Maluti)	4.1178	2.5906	1.4667	1.7942
Liberia	(Liberian $)	1.5895	1	0.5661	0.6925
Libya	(Libyan Dinar)	0.4715	0.2966	0.1679	0.2054
Liechtenstein	(Swiss Fr)	2.5375	1.5964	0.9038	1.1056
Luxembourg	(Lux Fr)	58.90	37.0556	20.9795	25.6644
Macao	(Pataca)	12.7809	8.0408	4.5524	5.5690
Madeira	(Port Escudo)	245.25	154.2938	87.3552	106.8627
Malagasy Rep	(MG Fr)	2182.50	1373.0732	777.3820	950.9805
Malawi	(Kwacha)	4.2775	2.6910	1.5235	1.8638
Malaysia	(Ringgit)	4.3020	2.7065	1.5323	1.8745
Maldive Is	(Rufiya)	14.8440	9.3387	5.2872	6.4679
Mali Rep	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Malta	(Maltese £)	0.5430	0.3416	0.1934	0.2366
Martinique	(Local Fr)	9.5950	6.0364	3.4176	4.1808
Mauritania	(Ouguiya)	138.0828	86.8718	49.1835	60.1667
Mauritius	(Maur Rupee)	23.70	14.9103	8.4416	10.3267
Mexico	(Mexican Peso)	4224.08a	2657.4897	1504.5699	1840.5577
		4142.96d	2606.4548	1475.6758	1805.2113
Miquelon	(Local Fr)	9.5950	6.0364	3.4176	4.1808
Monaco	(French Fr)	9.5950	6.0364	3.4176	4.1808
Mongolia	(Tugrik)	5.3141u	3.3555	1.8928	2.3155
Montserrat	(E Carr $)	4.28	2.6926	1.5244	1.8649
Morocco	(Dirham)	13.3268	8.3842	4.7468	5.8068
Mozambique	(Metical)	1323.65	832.7461	471.4692	576.7538
Namibia	(S A Rand)	4.1178	2.5906	1.4667	1.7942
Nauru Is	(Australian $)	2.0260	1.2746	0.7216	0.8827
Nepal	(Nepalese Rupee)	38.0088	23.9124	13.5383	16.5615
Netherlands	(Guilder)	3.1675	1.9927	1.1282	1.3801
N'nd Antilles	*(A/Guilder)*	2.8507u	1.8000	1.0153	1.2421
New Zealand	(NZ $)	2.6730	1.6816	0.9520	1.1647
Nicaragua	(Cordoba)	33835.05	21286.5995	12051.6651	14742.9411
Niger Rep	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Nigeria	(Naira)	11.8777	7.4726	4.2307	5.1754
Norway	(Nor. Krone)	10.75	6.7631	3.8290	4.6840
Oman	(Rial Omani)	0.6080	0.3825	0.2165	0.2649
Pakistan	(Pak. Rupee)	33.50	21.0758	11.9323	14.5969
Panama	(Balboa)	1.5895	1	0.5661	0.6925
Papua New Guinea	(Kina)	1.3737	0.8642	0.4892	0.5985
Paraguay	(Guarani)	1914.94	1204.7436	682.0801	834.3965
Peru	(Inti)	13298.80a	8366.6561	4736.8833	5794.6840
Philippines	(Peso)	33.90	21.3274	12.0747	14.7712
Pitcairn Is	(£ Sterling)	1.00	0.6291	0.3561	0.4357
	(NZ $)	2.6730	1.6816	0.9520	1.1647
Poland	(Zloty)	7821.05	4920.4466	2785.7702	3407.8649
Portugal	(Escudo)	245.25	154.2938	87.3552	106.8627
Puerto Rico	(US $)	1.5895	1	0.5661	0.6925
Qatar	(Riyal)	5.7510	3.6181	2.0484	2.5058
Reunion Is. de la	(F/Fr)	9.5950	6.0364	3.4176	4.1808
Romania	(Leu)	14.371	9.0405	5.1184	6.2614
Rwanda	(Fr)	123.55	77.7288	44.0071	53.8344
St Christopher	(E Carr $)	4.28	2.6926	1.5244	1.8649
St Helena	(£)	1.00	0.6291	0.3561	0.4357
St Lucia	(E Carr $)	4.28	2.6926	1.5244	1.8649
St Pierre	(French Fr)	9.5950	6.0364	3.4176	4.1808
St Vincent	(E Carr $)	4.28	2.6926	1.5244	1.8649
San Marino	(Italian Lira)	2072.75	1304.0264	738.2902	903.1590
Sao Tome	(Dobra)	169.965	106.9298	60.5396	74.0588
Saudi Arabia	(Riyal)	5.9248	3.7274	2.1103	2.5816
Senegal	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Seychelles	(Rupee)	8.8000	5.5363	3.1344	3.8344
Sierra Leone	(Leone)	99.77	62.2837	35.2626	43.1372
Singapore	($)	3.0653	1.9284	1.0918	1.3356
Solomon Is	($)	3.8129	2.3988	1.3581	1.6613
Somali Rep	(Shilling)	649.317	408.5039	231.2794	282.9267
South Africa	(Rand)	4.1178c	2.5906	1.4667	1.7942
		6.2068g	3.9048	2.2107	2.7044
Spain	(Peseta)	181.65	114.2812	64.7016	79.1503
Spanish Ports in N Africa	(Sp Peseta)	181.65	114.2812	64.7016	79.1503
Sri Lanka	(Rupee)	63.10	39.6980	22.4755	27.4945
Sudan Rep	(£)	18.13u	11.4061	6.4577	7.8997
Surinam	(Guilder)	2.8269	1.7784	1.0069	1.2317
Swaziland	(Lilangeni)	4.1178	2.5906	1.4667	1.7942
Sweden	(Krona)	10.0825	6.3431	3.5912	4.3932
Switzerland	(Fr)	2.5375	1.5964	0.9038	1.1056
Syria	(£)	33.2577u	21	11.8460	14.4913
Taiwan	($)	41.65	26.2032	14.8352	18.1481
Tanzania	(Shilling)	298.40	187.7319	106.2867	130.0217
Thailand	(Baht)	40.60	25.5426	14.4612	17.6906
Togo Rep	(CFA Fr)	479.75	301.8244	170.8815	209.0413
Tonga Is	(Pa Anga)	2.0260	1.2746	0.7216	0.8827
Trinidad/Tobago	($)	6.7307	4.2344	2.3973	2.9327
Tunisia	(Dinar)	1.4785	0.9301	0.5266	0.6442
Turkey	(Lira)	3643.77	2292.4001	1297.8699	1587.6993
Turks & Caicos	(US $)	1.5895	1	0.5661	0.6925
Tuvalu	(Australian $)	2.0260	1.2746	0.7216	0.8827
Uganda	(New Shilling)	587.54	369.6382	209.2751	256.0087
U A E	(Dirham)	5.8008	3.6494	2.0661	2.5275
United Kingdom	(£)	1.00	0.6291	0.3561	0.4357
United States	(US $)	1.5895	1	0.5661	0.6925
Uruguay	(Peso)	1212.67	762.9254	431.9394	528.3965
USSR	(Rouble)	0.9719	0.6114	0.3461	0.4234
Vanuatu	(Vatu)	186.50	117.3324	66.4292	81.2636
Vatican	(Lira)	2072.75	1304.0264	738.2902	903.1590
Venezuela	(Bolivar)	69.0911	43.4671	24.6094	30.1050
Vietnam	(Dong)	7126.65	4483.5797	2538.4327	3105.2941
Virgin Is-British	(US $)	1.5895	1	0.5661	0.6925
Virgin Is-US	(US $)	1.5895	1	0.5661	0.6925
Western Samoa	(Tala)	3.6600	2.3026	1.3036	1.5947
Yemen	(Rial)	15.4410	9.7143	5.4999	6.7281
Yemen PDR	(Dinar)	0.5432u	0.3430	0.1934	0.2366
Yugoslavia	(Dinar)	144570.00	90953.1299	51494.2119	62993.4640
Zaire Rep	(Zaire)	700.98	441.0066	249.6812	305.4379
Zambia	(Kwacha)	29.85	18.7794	10.6322	13.0065
Zimbabwe	($)	3.6050	2.2680	1.2840	1.5708

Special Drawing Rights December 8, 1989 United Kingdom £1.22287 United States $1.29056 Germany West D Mark 2.28455 Japan Yen186.292 European Currency Unit Rates December 11,1989 United Kingdom £1.37552 United States $1.15084 Germany West D Mark 2.03526 Japan Yen166.319

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currency fixed against the US Dollar.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, December 11, 1989

INTERNATIONAL CAPITAL MARKETS

US and Netherlands sign securities fraud accord

By Laura Raun in the Hague

THE US and the Netherlands signed a landmark accord yesterday to combat securities fraud, a move expected to foster greater international co-operation in regulating capital markets.

Mr Richard Breeden, chairman of the US Securities and Exchange Commission, and Mr Wim Kok, the Dutch Finance Minister, signed the agreement obliging them to provide mutual assistance and information in investigating securities fraud such as insider trading, market manipulation and misleading financial data.

Mr Breeden said the agreement was a "milestone" and the "most comprehensive agreement on securities co-operation that the US has entered into." Crucially, the US, with some of the most stringent securities laws in the world, will be able to demand documents and testimony from the Netherlands that would otherwise be impossible to glean under the more lax Dutch law.

Mr Breeden, who also is head of the International Organisation of Securities Commissions, will sign a similar pact with the French authorities on Thursday. Negotiations are under way with another half dozen countries to forge bilateral accords.

The SEC is also considering ways to facilitate sales by foreign issuers to US institutional investors and to recognise foreign regulation of broker-dealers and foreign disclosure requirements.

The US-Dutch accord will test how far simple exchanges of information can bridge the wide gaps between levels of securities supervision in various countries. The Dutch only banned insider trading less than a year ago.

All government resources, not just securities regulatory bodies, will be available to the two countries under the accord. But the Dutch Securities Supervision Foundation has often been criticised for lacking sufficient staff and expertise.

While the SEC has subpoena and other investigatory powers backed up by 2,200 employees, the Dutch unit is a self-regulatory board with no powers to seize documents or interrogate. It employs only five people.

Aurora displays UK prototype

By Deborah Hargreaves

THE Chicago Board of Trade's screen trading system, Aurora, made its debut in London this week as the futures exchange displayed its prototype version for UK members.

Aurora is similar to the Automated Pit Trading system that started up at the London International Financial Futures Exchange at the end of November. It attempts to reproduce the dynamics of open-outcry pit trading on screen.

The CBT, which has spent far more money on its system than Liffe, plans to have a pilot project for Aurora running sometime next year.

But the exchange is currently involved in talks with the rival Chicago Mercantile Exchange on combining the system with the CME's Globex order-matching system.

Electronic trading systems like Aurora and APT are designed to be used by professional traders with well-established trading skills.

In contrast, Globex will be a system which matches orders and does not show actual trading on screen.

Aurora goes even further towards making screen trading attractive for its local, independent traders, who trade for their own account.

It will give priority to the trader who tightens the bid-offer range, no matter how many contracts he is tendering.

The system displays only the best bids and offers, whereas APT displays all.

The CBT plans eventually to link Aurora with its electronic order-routing system, Eos, which is currently operating as a pilot project during the exchange's evening trading session. Eos will be extended to daytime trading next year.

The futures industry is currently concentrating on electronic trading systems which will lengthen the trading day. As yet there are no plans to replace open-outcry with a black box.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 11

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅜ 96	750	100½	100¾	−0⅜	−0⅜	8.50
Alberta 9⅛ 95	600	103⅞	104¼	+0⅝	−0¼	8.45
Austria 9¾ 93	140	103	103½	+0¼	−0¾	8.42
B.F.C.E. 8¼ 94	175	99¾	100¼	+0¼	0	8.36
B.F.C.E. 9¼ 95	150	103¼	103⅝	+0⅛	−0¼	8.50
Brit. Tel. Fin. 9⅛ 98	250	104¼	104⅝	+0⅜	+0⅛	8.65
Canada 9 96	1000	103⅛	104¼	0	0	8.17
C.C.C.E 9¼ 95	300	103⅛	103½	0	−0¼	8.44
C.N.C.A 9⅛ 93	150	†102⅝	102⅞	−0⅛	−0¾	8.60
Credit National 8¼ 93	200	†99⅝	100⅛	+0¼	−0⅝	8.27
Credit National 7⅛ 92	100	97¾	98¼	+0⅛	−0¾	8.31
Credit National 9½ 92	160	†102⅝	102⅞	+0¾	−0⅝	8.48
Dai-Ichi Kan 9⅛ 92	150	102¼	102⅛	+0⅛	−0⅛	8.50
Denmark 8¼ 94	150	†99	99½	0	0	8.43
E.E.C. 7 91	100	97½	98	+0⅝	0	8.28
E.E.C. 10 93	140	†104½	104⅞	+0¼	0	8.31
E.I.B. 8½ 99	150	99⅞	100¼	+0¼	+0⅛	8.50
Eurofima 10¼ 93	100	†104⅝	105	+0¼	0	8.38
Elec. De France 9 98	200	102¾	103¼	0	0	8.47
Elec. De France 9½ 99	200	†105⅛	105½	−0⅛	−0⅛	8.62
Finland 9 96	250	102¼	102⅝	+0¼	−0⅛	8.49
Finn. Exp. Cd. 8⅛ 92	200	100⅝	100⅞	+0⅛	0	8.28
Finn. Exp. Cd. 9¼ 95	200	103½	104	+0⅛	0	8.53
Ford Motor Credit 8 91	250	†99	99½	−0⅛	0	8.59
Gen. Elec. Cap. Corp. 9 93	500	†101⅞	102⅜	+0⅛	−0⅛	8.34
Gen. Elec. Cap. Crp. 10 1/2 91	300	102⅝	102¼	+0⅛	0	8.38
G.M.A.C. 8¾ 96	500	†99⅛	100⅛	—	—	8.78
G.M.A.C. 9 96	300	100¼	101¼	+0¼	0	8.78
Gen. Mtrs. Corp. 9⅛ 92	200	101⅝	102	0	0	8.36
IBM Credit Corp. 8⅝ 92	400	100⅜	100¾	−0⅛	−0⅝	8.41
IBM Credit Corp. 8⅞ 91	250	100½	101	0	−0⅛	8.40
IBM Credit Corp. 9 92	250	101½	102	+0¼	−0⅛	8.19
IBM Credit Corp. 9¼ 92	250	101⅛	102¼	+0¾	0	8.37
Italy 8½ 94	1500	100¼	100⅛	0	−0¼	8.39
Italy 9½ 95	1000	104⅜	104¾	+0⅜	+0⅛	8.50
Italy 9⅝ 99	1000	106	106⅜	+0⅛	−0¾	8.62
Itoh C. W/W 4⅝ 94	1000	†110	111	0	−0½	2.16
Japan Dev. Bank 10 96	200	107⅛	107½	+0¾	−0⅛	8.45
KFW Intl. Fin. 9 94	300	101⅞	102⅛	+0⅝	−0¼	8.42
L.T.C.B. of Japan 9¼ 92	200	101¼	102	+0⅛	−0¼	8.58
Nippon Tel. & Tel. 9⅛ 98	250	104⅛	104¾	+0¼	−0¼	8.61
Norway 8¼ 93	500	101¼	101¾	+0¼	−0⅛	8.18
Portugal 8¼ 91	300	†99⅛	99⅝	0	+0⅛	8.73
Sumitomo Corp. W/W 4 93	1500	125	126	+2¼	−0⅞	−2.75
Sweden 8¼ 96	200	101⅛	102	0	−0⅛	0.34
Toyota 9⅛ 91	200	101⅛	102¼	+0⅝	−0⅛	8.45
Toyota Mtr. Corp. W/W 4 93	1500	106	107	+0¼	−0½	2.05
Victorian Rep 11⅝ 92	150	105⅞	106⅛	0	−0⅛	8.73
World Bank 8½ 99	1500	101⅛	101¼	0	+0⅛	8.39
World Bank 9 97	300	102¼	103¾	0	−0⅛	8.44
World Bank 9 93	300	102⅝	102½	+0⅛	−0⅝	8.22
World Bank 9¼ 98	300	104¼	104⅛	0	−0⅛	8.53
World Bank 9⅛ 99	*500*	106⅝	*107*	+0¼	*0*	*8.50*
World Bank 9¼ 96	300	†106	106¼	−0⅛	0	8.45

Average price change... On day +0¼ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	92	92⅞	+0⅛	+0¾	7.90
Austria 6¾ 99	750	94	94⅛	0	0	7.62
Bk. Frgn. Econ. USSR 7 96	750	†93¼	94¼	+0⅛	+0¼	8.19
Bank of Tokyo 5¾ 93	100	93½	94	0	+0¼	8.02
Commerzbank o/s. 5⅝ 93	300	93⅜	93⅞	0	+0¼	7.78
Credit Foncier 6¼ 99	500	93⅝	93¼	0	0	8.77
E.I.B. 6¼ 99	600	90⅞	91½	0	+0⅛	7.63
E.I.B. 6½ 99	300	94⅛	94⅛	0	−0¼	7.33
E.I.B. 6⅛ 96	600	95¾	96¼	0	0	7.43
E.I.B. 6⅞ 95	300	97¼	98¼	+0¼	+0¼	7.30
Euro. Coal & Steel 5⅛ 97	175	89½	90⅛	−0¼	−0⅛	7.76
Eurofima 6¼ 96	100	91½	92¼	−0⅛	0	7.88
Elec De France 5¾ 97	300	90¾	91½	0	+0¾	7.32
Hydro-Quebec 6¼ 99	300	92⅛	93⅛	−0⅛	−0⅛	7.83
Japan Dev. Bk. 5¾ 95	300	90½	90⅞	0	−0¼	7.58
Japan Finance 5¼ 97	100	88½	89⅛	0	0	7.83
I.A.O.B. 7¼ 99	300	96⅞	97½	+0¼	−0¼	7.66
Ireland 6½ 97	300	91⅛	91⅛	+0¼	−0⅛	8.09
Ireland 7¼ 99	500	95⅛	96¼	−0⅛	−0⅛	7.87
Malaysia 6¼ 94	150	93⅛	93⅞	0	−0¼	7.99
Nat. West BK. PLC 6 98	300	88⅛	88⅛	0	+0⅝	7.92
N.H.L. Finance 6¼ 95	200	†88¼	88¾	0	−1	8.82
Nippon Telg. & Tel. 6 95	400	93¼	94	0	−0¼	6.53
Oesters. Kontbk. 5 93	300	92	92⅝	+0¼	+0½	7.83
Portugal 5¼ 92	150	94⅜	95	−0¼	+0½	8.07
Portugal 6¼ 95	150	94¾	95¼	0	0	7.74
Privatbanken 5¼ 93	150	91¼	92⅛	−0¼	−0⅛	8.17
Royal Insurance 5½ 92	300	94¼	99¼	0	+0⅛	8.16
Turkey 6½ 95	500	91½	92¼	+0¼	+0¼	8.41
Union Bk. Finland 5¼ 94	200	90⅛	91¼	0	+0¼	8.20
World Bank 6 98	500	88¼	89⅛	0	0	7.74
World BK. 6¼ 97	600	91¼	92	0	−0⅛	8.53
World Bank 6¼ 99	600	93⅞	94¼	0	+0¾	7.62

Average price change... On day +0 on week +0

SWISS FRANC *STRAIGHTS*	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†90	91	0	0	6.82
Asfinag 5 03	100	†84½	85½	+0¼	−1½	6.70
B.F.C.E. 4½ 98	200	†87	88	0	−0⅛	6.43
B.M.W. Fin. Neth. 5 13	150	†83	84	−0¾	−3	6.37
Britannia B/S. 4¼ 94	100	†86	88	0	0	7.77
CIR. Int. W/W 3 93	125	†88	89	+0⅛	−0½	6.69
Credit Lyonnais 4¾ 00	100	†83	84	−2¼	−3	7.02
E.I.B 4⅝ 98	150	†87	87½	+0⅝	−0⅛	6.62
Finn. Exp. Cd. 8¼ 92	75	†99	100¼	−0½	0	8.28
Fletcher Chall. 4¾ 98	150	†81½	82	−0⅞	−2½	7.95
I.A.O.B. 6 2004	200	†95¾	95¾	−0⅛	−0½	6.48
Kobe City 4⅛ 98	150	†87	88	0	+0½	6.57
Leeds Perm. B/S. 4⅝ 93	200	†88⅝	89⅝	+0¼	−0½	7.99
Malaysia 5¼ 98	100	†79	80	−1½	−6	8.74
Maxwell Comm. Crp. 5 95	150	†82¼	83	+0⅝	+2¼	9.10
Nat. Bk. Hungary 5½ 94	75	†86½	87½	0	+0¾	8.81
Nationwide Ang. B/S. 4 93	200	†89	90	+2⅝	+1⅛	7.50
Prov. Newfoundland 5 03	150	†84½	85	+0⅛	0	6.71
Thailand 4⅝ 95	200	†84	85	−1	−2	8.18
World Bank 5 03	150	†85	86	−1⅝	−1⅝	6.64

Average price change... On day −0⅝ on week −0¾

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅝	100	−0¼	+0⅛	6.20
Canada 5⅝ 93	80	98¼	99	−0⅛	−0⅛	6.01
Eurofima 5 1995	20	95⅛	95¾	0	0	5.97
E.I.B. 4¾ 93	30	96⅝	96⅝	−0⅛	0	6.09
Ireland 5⅛ 93	30	96¼	96¾	−0⅛	−0⅛	6.29
Norway 5⅛ 95	50	96¼	97	−0⅛	−0¼	5.82
Sweden 4⅝ 98	50	95⅛	95¾	−0¼	0	6.03
World Bank 5⅛ 98	10	94⅞	95⅝	0	+0⅛	5.88
World Bank 7 94	20	103¼	104¼	0	+0¼	5.92

Average price change... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	96¼	97⅞	+0⅛	+0⅛	11.07
Abbey Nat. 11⅝ 93 £	100	95⅛	96⅛	+0⅛	+0⅛	13.17
Aegon 7⅞ 92 FL	100	100¼	100¾	0	0	7.86
Alg. Bk. Ned. 5¼ 93 FL	200	93	93½	0	0	8.17
Austria 7½ 94 ECU	100	93⅞	94	0	−0¼	9.35
Barclays Aus. 13½ 91 A$	100	98	98⅛	+0¼	+0⅛	14.65
Belgium 8⅛ 94 Ecu	150	95¼	95¾	+0¼	−0¼	9.41
Bell Canada 10⅞ 04 C$	200	101⅛	102⅛	+0⅛	+0⅛	10.61
BP Capital 9¾ 93 £	100	91½	92	+0¾	+0¼	12.90
British Airways 10 98 £	100	89⅛	89⅞	+0¼	+0⅛	12.12
Brit. Telecom 9½ 93 £	150	91⅛	92¼	+0¼	+0⅛	12.66
Comm. Bk. Aus. 12⅛ 93A$	100	†93⅞	94⅛	+0¼	+0⅛	14.99
Comm. Bk. Aus. 13⅞ 94 NZ$	60	†104	105	0	0	12.38
Credit Foncier 9 96 Ecu	100	97¼	98⅛	+0⅛	−0⅛	9.40
CrLocalFrance 9¼ 92Ecu	100	99	99½	+0⅛	−0⅛	9.55
Deut. BK. Aus. 13¾ 93 A$	125	†96¾	97¼	+0¼	+0¼	14.41
Deutsche Bk. Fin. 15 94 A$	100	†103¼	103¼	+0⅛	+0⅛	13.81
Elec. De France 9⅞ 99C$	150	95⅛	96	+0⅝	0	10.47
E.I.B. 7 96 LFr	100	†94½	95½	−0½	−0½	8.06
E.I.B. 7⅛ 99 FL	150	94½	95	0	−0¼	7.91
E.I.B. 9 99 Ecu	150	98½	99⅛	0	0	9.19
Eurofima 7¼ 94 Ecu	100	94⅛	94⅞	+0¼	+0⅛	9.23
Export Dv. Crp. 8¾ 92Ecu	100	98¼	98¾	0	−0¼	9.44
Fed. Bus. Dv. Bk. 9 94 Ecu	100	98¼	98¾	+0⅛	+0⅛	9.39
Fed. Bus. Dv. Bk. 9¼ 92 C$	75	†97⅞	98⅛	+0⅝	+0⅝	10.71
Ferrv. Stato 7¼ 93 Ecu	100	99	94¾	0	−0⅛	9.75
Ford Cr. Can. 10¼ 93 C$	100	†98¼	97⅞	+0¼	+0¼	11.16
Ford Cred. Can. 10⅞ 96C$	125	99⅝	100⅛	+0½	+0⅛	10.88
Ford Cred. Fund. 10¼ 93£	60	94	94½	+0⅛	+0⅜	12.69
G.M.A.C. Canada 11 3/4 94C$	100	102	102½	+0⅜	+0⅞	11.03
Heineken 7⅝ 94 FL	150	100⅝	101⅝	−0⅝	0	7.70
Hydro-Quebec 11 99 C$	400	102¼	102½	+0⅝	+0½	10.57
Lloyds Bank 10⅝ 98 £	150	89¼	89¾	+0¼	−0⅛	12.32
Lloyds Bank 11¼ 98 £	100	92⅛	92⅝	0	0	12.85
Montreal Tst. 10¼ 93 C$	100	†98	98½	+0⅛	0	11.32
Nat. Aus. Bk. 14¾ 94A$	100	†99⅝	99⅝	0	+0¼	14.91
New Zealand 9½ 93 £	100	90½	91⅛	+0⅝	+0½	13.00
O.E.K.B. 10¾ 99 C$	150	98⅝	99⅞	+0½	+0⅝	10.42
Royal Bk. Scot. 10⅛ 98 £	125	91½	92	+0⅝	0	12.29
Saskatchewan 10¾ 93 C$	*200*	97⅞	98⅜	0	+0⅛	10.89
State Bk. NSW. 13⅞ 93A$	100	†96¾	97¼	+0⅛	+0¼	14.92
Sweden 7½ 93 Ecu	250	93⅞	94⅜	+0⅝	0	9.35
Sweden 15 94 A$	100	†102⅛	103⅛	+0⅝	−0⅛	14.00
Toyota Mtr. Cr. 10⅝ 94C$	150	98⅝	98⅞	+0½	+0½	10.75
Toyota Mtr. Cr. 11⅛ 92C$	150	100⅝	101⅝	+0⅝	+0¼	10.88
World Bank 7⅝ 99 FL	300	94⅝	95¼	+0⅛	+0⅛	7.88
World Bank 10⅞ 94 £	200	95	95⅜	—	—	12.23
World Bank 13⅛ 92 A$	100	†101¼	101¼	+0¼	+0¼	12.58
World Bank 14⅛ 94 A$	75	101	101⅝	+0¼	+0¼	13.85
Zentrspk. 13¼ 93 A$	75	†96¾	97⅝	+0⅝	+0⅜	14.28

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.77	99.82	24/01	15.21
Bank of Greece 99 US$	0¼	99.53	99.62	8/03	9¼
Belgium 91 US	0	100.13	100.23	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.76	99.81	28/02	15.31
Credit Foncier 98 US	.063	99.92	100.02	20/04	8.31
Dresdner Finance 99 DM	.031	100.03	100.14	28/01	8.16
EEC 3 92 DM	0	100.07	100.17	22/02	6¼
Halifax BS 94 £	.1	100.10	100.15	9/02	15.16
Invt. in Industry 94 £	0⅛	99.95	100.06	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	15/01	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.80	99.85	29/12	14.94
New Zealand 5 97 £	.07	100.05	100.15	22/02	15¼
Northern Rock 92 £	0½	99.83	99.88	20/01	5¼
State Bk. Nsw. 98 US	.188	100.01	100.11	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.95	100.00	15/01	15.37
Woolwich 5 93 £	0⅛	99.95	100.00	22/02	15.31

Average price change... On day −0.01 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	121½	122½	+0¼	0.52
Amer. Brands 7¼ 02 US	†9/87	56.7	123	124	−0¼	−1.03
CBS. Inc. 5 02 US	4/87	200.	102¼	103½	+0¼	3.65
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	100¼	101⅛	+0⅝	7.50
Primerica 5½ 02 US	4/87	66.75	74¼	75¼	+0¼	72.05
Eng. China Clay 6½ 03 £	9/88	4.8	91¼	92¼	+0¼	4.22
Fujitsu 3 99 US	5/84	1106.	208⅛	209⅛	−1¼	−0.74
Ladbroke Grp. 5⅛ 04 £	10/89	7.1	101½	102½	+0⅝	127.74
Land Secs. 6¼ 02 £	6/87	6.72	88⅛	89⅛	+0¼	14.96
Minolta Camera 2¼ 94DM	2/86	1004.	109½	111	−0¼	8.93
MCA INC 5½ 02 US	9/87	69.62	105	106	0	8.61
Mitsubishi Bk. 3½ 04US	5/89	3266.	96⅛	97⅛	−0⅛	4.32
Next Plc 5¾ 03 £	11/87	4.3	93⅛	94⅛	+0¼	401.88
Nishi Nipp. Bk. 2⅞ 05 US	4/88	884.	150	151	+5	2.54
Omnicom Inc. 6 1/2% 04 US	10/89	28.	103¼	104¼	+0⅛	16.06
Omron Tateisi 2¾ 02 US	4/87	1318.	285½	286½	−1	−1.84
Ranks Hovis 4¼ 03 £	1/88	3.5	119	120	+0⅛	−0.18
Redland 7¼ 02 £	1/87	5.4	104⅝	105⅛	−0⅝	173
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	88½	89½	−0⅛	48.67
Silicon Graphics 8 04 US	6/89	23.18	117⅞	118⅞	−0⅝	7.49
Sumitomo Bank 3⅛ 04 US	2/89	3897.	89⅜	90⅜	−0⅜	4.86
Texas Inst. 2¾ 02 US	9/87	82.87	77⅞	78⅞	+0⅛	78.61
Utd. Newspapers 8 04 £	10/89	8.77	120⅛	121⅛	−0⅛	123.85
W.R. Grace 6¼ 02 US	9/87	42.12	91	92	0	29.56

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by DATASTREAM International.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Flemming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Saitwa International; Samuel Montagu & Co.; Societa Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wood Gundy$INS2; Line BONDSI# Truncation occurred. Story '#23521'.

Crash worthiness researchers unanimous.

Saab safest

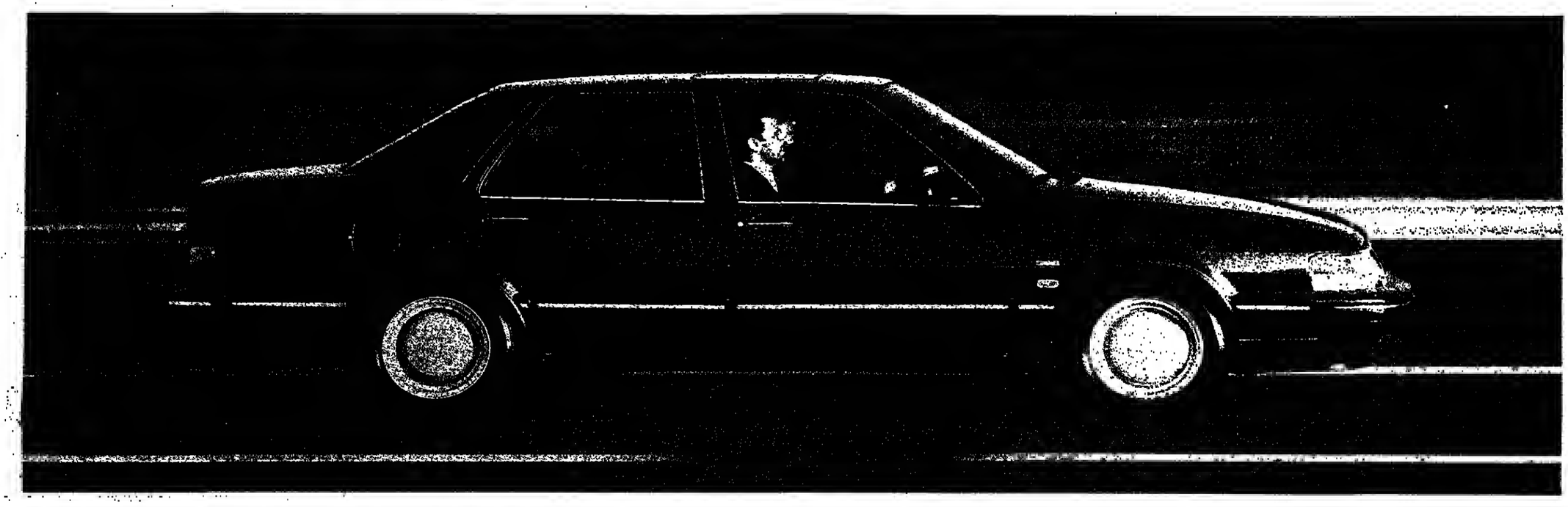
What researchers don't tell you.

How Saab helps you avoid accidents.

Magnus Roland, Saab chassis designer, has this to say:

"When designing a Saab, the first safety priority is to help the driver avoid danger. You've got to be one step ahead of events to prevent accidents. The car has to be capable of showing its feelings and 'sense' what the driver wants.

In a potentially dangerous situation, Saabs act in a simple, predictable way to help the driver steer clear of trouble.



Two independent research groups have released data on almost 7 million car accidents in the U.S. and Sweden. Both reached the same conclusion: the Saab 9000 is the safest car.

Saab is twice as safe as the average car in its size class (one that includes the BMW 500 series, the Volvo 7 series and the Lincoln Mark VII). This is the result of a study of 6 million accidents in the U.S. made by the HLDI, Highway Loss Data Institute.

Sweden's largest automotive insurance company, Folksam, studied the results of 900,000 car accidents. They rate Saab more than 30% better than its nearest rival, which is itself considered a very safe car.

Folksam safety researcher, Dr. Claes Tingvall, comments:

"If people were aware of the huge differences in car safety, proven crash worthiness would be a major aspect in their choice of car."

In an accident, 'passive' safety features (crumple-zones, safety cages, safety belts, belt tensioners) come into play to reduce the consequences."

German car magazine *auto, motor und sport* wrote:

"In snowstorms at the Arctic circle, in rush-hour chaos or at full throttle on the autobahn, this car inspires confidence, and creates a feeling of security and safety".

Are they right? Can you feel the safety in a Saab?

Find out for yourself by test driving a Saab at your nearest dealer. They will fill you in on the details.

SAAB

INTERNATIONAL CAPITAL MARKETS

Japan takes tough line on equity warrants

Stefan Wagstyl on MoF moves to rein back the rapid growth of US-dollar warrants

Officials at the Japanese Ministry of Finance said yesterday that investor protection was the prime motive behind plans for tightening the rules governing the fast-growing and highly-profitable market in US-dollar-denominated Japanese equity warrants.

They acknowledged they were also keen to exert more control over the activities and profits of brokers in a virtually unregulated market, which started life in London but which relies almost entirely on Japanese borrowers and lenders. "It's a wild and open market," said one foreign broker in Tokyo.

The authorities' main target is the Big Four Japanese securities houses – Nomura, Daiwa, Nikko and Yamaichi – which together made almost $1bn from warrants in the six months to September, double earnings from the same period last year. The foundation of their profits is the new-issue business – carried out in London because foreign-currency warrant issues are banned in Tokyo.

An increasing proportion of the profits, more than half for the Big Four, is made in secondary trading. The growing army of warrant investors includes more and more Japanese privete individuals – whom, the ministry believes, are often victims of the brokers' over-aggressive sales tactics.

Equity warrants give the holder the right to buy stock in a company at a set price. The warrants are issued attached to a bond and are then split from the bond and traded separately.

Japanese companies have issued huge amounts of warrants in the last few years because these instruments are a relatively cheap source of capital.

Over $55bn of dollar-denominated warrant-bond issnes have been made this year, exceeding by far 1988's total of $28bn. The Big Four Japanese securities houses have grabbed a 97 per cent share of the primary business.

The core of the primary and secondary market is in London, but a fast-expanding share of secondary trading is carried out in Tokyo. The Big Four alone bandls an estimated Y2,000bn ($13.87bn) of secondary trading a month, double the figure for a year ago, making warrants the third largest financial market after equities and convertible bonds.

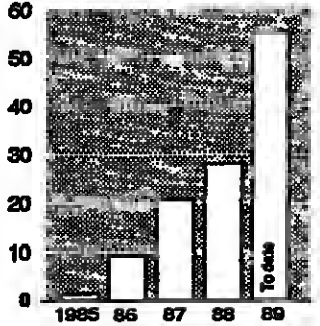
News of the finance ministry's study last week understandably provoked fears in London that the MoF was seeking to pull the warrant market to Tokyo at the expense of the London-based Euromarkets, where the warrants are issued.

Brokers in London are particularly worried by news that the MoF was actively considering requiring new warrants to be listed on the Tokyo Stock Exchange. This would remove the ban in Tokyo on issues of foreign-currency denominated warrants.

Ministry officials said compulsory listing was just one of a range of options under consideration, though. It was too soon to say when any measures would be enacted, but the officials said something had to be done quickly because the market was expanding at such a fast pace.

Japan

Dollar equity warrant issues ($bn)



Source: Euromoney Bondware

Executives at Japanese securities companies yesterday were anxious to play down the importance of the ministry's move. The plan was in its earliest stages, said one. The technical problems connected with listing warrants would be complex, said another.

Nevertheless, larger Japanese brokers are sufficiently worried to have started orchestrating opposition.

They are anxious to defend the huge profits they have made from warrants trading. Nomura alone made Y73.8bn from warrants in tbs six months to September, an increase of 89 per cent from the preceding term.

Japanese securities companies either believe or hope that the ministry is sabre-rattling – warning securities brokers to come up with substantial measures of their own to improve market transparency, or suffer the consequences.

A Nomura official said: "There's no concrete plan. This is a balloon being floated by the ministry."

There are good reasons for the ministry to be concerned about the private investor. One Japanese securities company executive estimated individuals accounted for 30 per cent of the secondary market.

Ignorance about warrants is so great that stories abound of customers walking into brokers' offices asking to buy shares in "Warrant Company Limited."

Investors are often unaware of the dangers inherent in the volatility of warrants, prices of which have been rising this year supported by the general steady upward climb of Japanese stocks.

A sudden fall in equities could produce a savage decline in warrant prices.

Moreover, price spreads are wide – 7 per cent is not unusual – to the benefit of the broker and the disadvantage of the customer.

Institutional investors can often find the best deal by calling several brokers, but individuals rarely do this. Many individual customers wrongly think they have to sell a warrant back to the stockbroker who sold it to them – a belief which further enhances the broker's grip on customers.

In response to growing pressures from the MoF, leading stockbrokers have taken steps to make the market more transparent. In February the Japan Securities Dealers Association launched an inter-dealer market and started publishing closing prices.

Thirty-eight brokers, including several foreign companies, now quote daily closing prices on a screen-based system, which clients are free to consult. The association also publishes brokers' average buying and selling prices.

Listing dollar-warrants would be the most drastic step the ministry could take – but not as difficult as the brokers suggest, given that yen-denominated warrants (albeit only five) are already listed on the TSE.

Japanese brokers realise that they cannot expect to continue making hay in warrants for ever, although they will not admit it publicly. The ministry's concern abont private investors is now so apparent that the brokers cannot ignore it. At the same time the ministry will not press too hard, for that would simply kill the market in Tokyo and lead to more secondary trading overseas – in Hong Kong for example.

The result is likely to be a compromise. Perhaps the brokers would accept more supervision in return for the freedom to issue in both London and Tokyo.

If the costs of doing business in the two centres were approximately equal, the market would become increasingly focused on Tokyo, which is its natural home. But it would be in the interest of brokers – Japanese and foreign – to make sure that happens gradually.

Treasuries trade quietly in absence of Fed moves

By Janet Bush in New York and **Deborah Hargreaves** in London

US TREASURY bonds continued to languish in a narrow trading range at midsession yesterday as the US Federal Reserve failed to signal an easing in monetary policy.

At midsession, the Treasury's benchmark long bond was quoted ⅛ point lower for a yield of 7.88 per cent, while short-dated maturities were mostly unchanged.

The minimal price erosion represented a fairly resilient performance considering price gains on Friday, partly on hopes that evidence of weakness in manfacturing evident in November's employment release would induce a lowering in the Fed funds target from the current 8½ per cent.

Fed funds opened at 8⅝ per cent and remained at this level throughout the morning.

■THE UK gilts market powered ahead late yesterday as sterling gathered strength. Traders ware encouraged by retail sales and producer price figures that pointed to a less bleak outlook for inflation than they were anticipating.

With retail sales down by 0.8 per cent in November and producer prices up, but by less than the market expected, the Treasury's benchmark 11¾ per cent long bond dne 2007 rose by ½ a point to 110.06.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	103-19	+4/32	11.92	12.04	11.49
		9.750	1/98	94-08	+8/32	10.84	10.98	10.82
		9.000	10/08	93-06	+14/32	9.80	10.01	9.70
US TREASURY *		7.785	11/99	100-10	-1/32	7.87	7.89	7.97
		8.125	8/19	102-22	-1/32	7.89	7.89	7.89
JAPAN	No 111	4.800	6/99	96.0430	-0.302	5.43	5.37	5.45
	No 2	5.700	3/07	102.0431	-0.273	5.47	5.51	5.49
GERMANY		7.000	9/99	98.1500	-0.050	7.28	7.25	7.23
FRANCE	BTAN	8.000	10/94	94.1080	-0.108	9.38	9.58	9.42
	OAT	8.125	5/99	94.2000	-0.150	9.05	9.05	8.97
CANADA *		9.250	12/99	97.8900	+0.302	9.59	9.68	9.42
NETHERLANDS		7.250	7/99	98.6200	-0.040	7.76	7.74	7.89
AUSTRALIA		12.000	7/99	94.2937	+0.457	13.08	13.07	13.39

London closing, *denotes New York morning session

Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
MBE Finance(a)◆	20	(a)	102	2000	2/1¼	Mitsubishi Finance Int.
Polly Peck Int. Fin.◆	110	(d)	100	2005	2¼/1½	Shearson Lehman Hutton
Issue update:						
Ishikawajima-Harima◆‡	500	2½	100	1993	2¼/1½	Yamaichi Int.
D-MARKS						
Dresdner Finance	1bn	(e)	100.05	2000	na	Dresdner Bank
Issue update:						
Dynic Corp◆‡	100	1⅝	100	1993	2¼/1⅝	Deutsche Bank
Sumitomo Construction◆‡	150	1⅝	100	1993	2¼/1½	WestLB
LKB Baden-Wuerttembergt◆	500	6½	100.10	1989	na	Trinkaus & Burkhardt
ECUs						
Council of Europe◆	75	9⅜	101⅞	1995	1⅞/1¼	Morgan Stanley
FRENCH FRANCS						
Interfinance Credit Nat.◆	600	10¼	100.80	1991	½/⅜	Credit Lyonnais
YEN						
Toyota-Tiusho Fin. Int.(b)◆	2.5bn	(b)	100⅞	1990	⅞/½	Ryoko Securities Int.
Toyota-Tiusho Fin. Int.(c)◆	1.5bn	(c)	100⅞	1990	⅞/½	Ryoko Securities Int.
Shopbank◆	6.7bn	7	101⅛	1990	1⅛/⅝	New Japan Securities
Helaba Finance◆	10bn	8.15	101.325	1993	1⅝/⅞	IBJ Int.

◆Final terms. ‡With equity warrants. a)Three tranche issue; first tranche pays 6-month yen libor plus 35bp for 2 years then 9¼%, second tranche pays 6-month libor plus 50bp then 9½% and the third 6-month libor plus 60bp then 9%. b)For 3 months 3-month Yen libor and 0.0625%, then rising to 90bp. Nikkei-linked redemption. c)For 5 months 0.0625%, then fixed at 7.4625%. Nikkei-linked redemption. d)Indicated at 7-7¼. e)Put and call options after 5 years.

Salomon doubles base in sterling

By Rachel Johnson

SALOMON Brothers, the US investment bank, is almost doubling its capital base in the sterling fixed-income markets from £35m to £63m, it announced yesterday.

There has been rapid growth in UK fixed-interest stocks in recent years. Issuance in the quickest-expanding sector, Eurosterling issues, has leapt from £70m in 1980 to £16.4bn this year, accounting for more than half the market.

Salomon's enlarged commitment is designed to support both the cash market in UK government bonds – gilts – issued by the Bank of England, and their derivative products, such as sterling-denominated swaps and futures.

A plethora of such products is appended to the gilts market, which has been shrinking in recent years as a result of the budget surplus. This has meant the market has become more concentrated on derivatives and other non-gilt bonds.

● An internal reorganisation at the London operations of Société Générale, the big French bank, has resulted in market making in German stocks passing from the group's merchant bank to its securities arm, Strauss Turnbull.

This is part of the bank's move to rationalise the two subsidiaries, although it has stopped short of wholesale restructuring.

London has 19 market-makers in German stocks, with an average of 17 quoting firm prices in each stock.

Bain Refco buys FE seat

BAIN REFCO the futures arm of Australian investment bank Bain & Co and Refco of the US, has bought DFC New Zealand's seat on the New Zealand Futures Exchange.

The seat is the first asset disposal by DFC since the investment bank failed this year.

The sale was initially approved by the Futures Exchange in November, but Bain Refco delayed its purchase decision after an upheaval in futures trading in the last week of November.

"We are pleased to see that the New Zealand futures market now appears to have settled after the recent suspension of trading on the five-year bond futures contract," Bain Refco said.

While volumes on the Futures Exchange appear to have returned to normal levels, "there are still some concerns to be addressed in the market," said Bain Refco.

Bain & Co is 50 per cent owned by Deutsche Bank. There are 17 members of the New Zealand Fntnres Exchange, each membership corresponding to a shareholding in the exchange company.

Dresdner brings DM1bn FRN

EUROBOND markets started the week in quiet fashion, with a run of mainly targeted new issues competing for syndicate managers' attention, Andrew Freeman writes.

Secondary markets were dull and traders said they expect business to remain torpid.

Dresdner Bank brought a DM1bn floating-rate note issue for its own finance subsidiary. The 10-year notes carried a coupon of six-month Libor flat, and will be fixed on January 9.

Dresdner was quoting the paper just inside fees at 99.85 bid, and said there was reasonable bank demand in Germany, Switzerland and the UK.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Monday December 11 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Dec 8 Index No.	Thu Dec 7 Index No.	Wed Dec 6 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (205)	902.08	+0.3	12.59	4.74	9.74	30.71	899.81	895.12	898.98	749.93
2	Building Materials (28)	1082.30	-0.8	14.53	5.22	8.58	40.71	1091.53	1083.89	1095.52	902.59
3	Contracting, Construction (37)	1462.54	+0.1	16.98	5.31	7.73	56.19	1460.52	1457.89	1453.22	1402.52
4	Electricals (10)	2598.80	+0.7	10.51	4.79	11.96	84.46	2580.80	2570.23	2587.26	2227.15
5	Electronics (30)	1924.69	+0.9	9.55	3.77	13.47	52.19	1907.74	1901.60	1908.35	1703.43
6	Mechanical Engineering (53)	470.44	+0.5	12.29	4.87	9.91	16.44	469.09	461.59	461.87	392.07
8	Metals and Metal Forming (6)	460.95	-0.7	25.58	6.49	4.41	23.02	464.09	462.74	466.23	445.45
9	Motors (17)	373.69	+0.7	10.88	4.67	10.87	11.84	371.04	370.16	369.58	254.89
10	Other Industrial Materials (24)	1734.49	+0.7	9.61	4.37	12.27	55.27	1723.26	1724.74	1735.07	1284.79
21	CONSUMER GROUP (185)	1309.97	-0.6	8.66	3.49	14.49	33.79	1317.61	1311.28	1317.81	993.09
22	Brewers and Distillers (23)	1502.16	-0.9	9.47	3.46	13.11	36.48	1515.22	1501.37	1491.03	1101.96
25	Food Manufacturing (20)	1148.17	-0.2	9.24	3.85	13.56	31.60	1150.80	1146.43	1150.50	893.15
26	Food Retailing (15)	2309.33	-1.8	9.20	3.14	14.37	52.06	2351.52	2337.93	2352.13	1749.10
27	Health and Household (14)	2705.05	+0.1	5.84	1.92	20.38	46.95	2703.37	2697.26	2712.98	1758.19
29	Leisure (35)	1628.37	-0.3	8.04	3.59	15.31	44.41	1633.97	1630.75	1632.04	1319.98
31	Packaging & Paper (14)	545.22	......	12.08	5.29	10.37	18.37	545.06	542.84	539.78	499.92
32	Publishing & Printing (18)	3750.95	-0.3	8.36	4.60	15.47	121.48	3763.37	3763.88	3786.76	3104.53
34	Stores (32)	787.28	-1.2	11.18	4.75	11.65	25.98	796.87	798.94	806.55	660.79
35	Textiles (14)	527.58	-0.5	10.89	5.63	11.14	22.08	530.23	527.53	525.68	449.72
40	OTHER GROUPS (95)	1166.58	-1.0	10.34	4.47	11.71	39.90	1180.22	1172.40	1172.65	872.91
41	Agencies (17)	1570.77	-1.4	6.68	2.32	18.37	27.29	1593.12	1594.40	1585.00	994.91
42	Chemicals (22)	1212.85	-0.4	12.50	5.27	9.41	47.73	1218.14	1216.52	1220.84	994.57
43	Conglomerates (14)	1643.67	-1.8	10.74	5.25	10.96	68.01	1673.85	1683.90	1680.87	1209.49
45	Transport (13)	2264.47	-0.7	10.52	4.24	12.12	60.85	2280.74	2280.78	2290.56	1811.09
47	Telephone Networks (2)	1179.15	-1.5	10.77	4.35	12.87	30.54	1196.81	1159.38	1154.60	988.74
48	Miscellaneous (27)	1922.13	......	9.14	4.28	12.34	65.42	1923.17	1927.62	1928.85	1150.90
49	INDUSTRIAL GROUP (485)	1178.02	-0.5	10.12	4.08	12.18	35.72	1183.90	1178.29	1181.15	910.77
51	Oil & Gas (15)	2383.02	-0.9	9.09	4.81	14.54	96.43	2403.49	2354.52	2347.65	1728.50
59	500 SHARE INDEX (500)	1278.55	-0.5	9.97	4.19	12.48	40.70	1285.61	1276.50	1278.69	979.99
61	FINANCIAL GROUP (128)	827.96	+0.1	...	5.12	...	30.41	827.35	828.09	834.87	662.53
62	Banks (9)	851.33	+0.6	20.28	5.91	6.40	36.37	846.39	848.31	853.04	654.46
65	Insurance (Life) (7)	1394.77	+0.4	...	4.76	...	47.56	1389.07	1388.98	1409.02	913.71
66	Insurance (Composite) (7)	705.66	+0.1	–	5.34	–	28.34	704.61	705.14	714.39	500.08
67	Insurance (Brokers) (7)	1140.40	+0.2	6.61	5.51	20.15	47.09	1137.75	1138.45	1153.03	875.32
68	Merchant Banks (11)	475.62	+0.4	–	3.63	–	11.59	473.56	466.65	465.01	310.87
69	Property (49)	1207.87	-1.2	7.57	3.54	16.73	30.32	1221.94	1227.68	1241.13	1200.01
70	Other Financial (30)	329.86	-0.2	12.40	6.56	10.57	15.82	330.58	329.38	328.47	344.22
71	Investment Trusts (69)	1286.21	-0.2	–	2.72	–	25.23	1288.26	1283.55	1283.00	902.92
81	Mining Finance (1)	739.07	+0.9	10.10	3.65	11.13	22.25	732.66	712.13	707.08	548.65
91	Overseas Traders (7)	1537.71	+0.1	8.99	5.26	12.75	60.11	1535.78	1517.03	1515.38	1260.71
99	ALL-SHARE INDEX (697)	1172.04	-0.4	–	4.29	–	37.79	1176.92	1169.83	1172.69	901.93

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Year ago
FT-SE 100 SHARE INDEX‡	2351.4	-12.1	2359.3	2348.4	2363.5	2346.7	2353.7	2327.5	2303.4	1747.9

FIXED INTEREST

	PRICE INDICES	Mon Dec 11	Day's change %	Fri Dec 8	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.11	+0.28	116.11	0.32	11.54
2	5-15 years	129.93	+0.76	129.07	0.13	12.00
3	Over 15 years	138.33	+1.32	137.25	0.73	13.64
4	Irredeemables	156.96	+1.33	154.90	–	13.66
5	All stocks	127.81	+0.66	127.23	0.26	12.20
	Index-Linked					
6	Up to 5 years	140.76	....	140.76	–	2.79
7	Over 5 years	139.22	+0.02	139.33	0.13	3.34
8	All stocks	139.22	+0.02	139.32	0.12	3.28
9	Debentures & Loans	105.78	+0.17	105.76	0.16	10.92
10	Preference	84.83	+0.19	84.92	0.25	6.39

	AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 11	Fri Dec 8	Year ago (approx.)
	British Government				
1	Low	5 years	10.36	10.38	10.43
2	Coupons	15 years	9.77	9.89	9.56
3		25 years	9.67	9.80	9.11
4	Medium	5 years	11.29	11.40	10.81
5	Coupons	15 years	10.14	10.28	9.77
6		25 years	9.76	9.91	9.30
7	High	5 years	11.43	11.54	10.96
8	Coupons	15 years	10.33	10.48	9.90
9		25 years	9.89	10.05	9.34
10	Irredeemables	†	9.74	9.87	8.97
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.69	3.68	3.57
12	Inflation rate 5%	Over 5 yrs.	3.65	3.65	3.73
13	Inflation rate 10%	Up to 5 yrs.	2.86	2.85	2.44
14	Inflation rate 10%	Over 5 yrs.	3.49	3.49	3.57
15	Debs &	5 years	12.94	12.93	11.41
16	Loans	15 years	12.46	12.46	11.13
17		25 years	12.10	12.12	10.85
18	Preference	†	10.80	10.81	10.41

‡Opening index 2352.1; 10 am 2353.5; 11 am 2351.4; Noon 2357.3; 1 pm 2359.0; 2 pm 2358.3; 3 pm 2355.8; 3.30 pm 2355.9; 4 pm 2352.1 (a) 12.22pm (b) 9.23am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	96	2	4
Corporations, Dominion and Foreign Bonds	18	2	21
Industrials	365	353	878
Financial and Properties	141	167	377
Oils	30	23	41
Plantations	1	0	9
Mines	54	24	84
Others	67	68	102
Totals	772	639	1,516

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
§75	F.P.	–	86	81	‡Air London 5p	86	+1	R2.25	2.5	3.5	13.1
§20	F.P.	–	25½	18	*Autos of Distinction 5p	18		–	–	–	–
–	F.P.	–	106	76	BTR Warrants 1993/94	106	+2	–	–	–	–
§142	F.P.	–	150	145	‡Baris Hldgs 10p	145	–1	R5.5	2.7	5.0	9.2
†	F.P.	–	102	95	‡Bexbuild Devlpmts 50p	100		1.8	5.9	2.4	9.3
§42	F.P.	–	45	43	*Biocure 1p	43		–	–	–	–
Ir56	F.P.	2/11	71	56	‡Cambridge Grp. Ir5p	65		d07½%	14.8	0.5	16.7
†	F.P.	–	25	22	*Courtyard Leisure 5p	22	–1	–	–	–	9.4
§	F.P.	–	8¼	5¼	EFM Dragon Tst Wrrts'05	8¼		–	–	–	–
50	F.P.	–	53	39	‡Essex Furniture 5p	39		a1.88	2.3	6.4	8.8
707	F.P.	–	968	865	Euro Disneyland FFr10	955	–9	–	–	–	–
–	F.P.	–	20	5	Europa Mints. Wrrnts.	20	+2	–	–	–	–
§50	F.P.	–	51	49	European Project IT 10p	49		–	–	–	–
–	F.P.	–	28	10	Do. Warrants	28	+1	–	–	–	–
§130	F.P.	–	138	130	Fired Earth Tiles 10p	130		R4.87	2.2	5.0	10.6
105	F.P.	30/11	107	98	Hays 1p	106		W3.0	2.8	3.8	12.3
–	F.P.	–	29	22	Ibstock Johnsen Wrrt.	26	+1	–	–	–	–
§38	F.P.	–	42	38	*Image Store Hldgs. 10p	42		–	–	–	–
§	F.P.	–	975	862	JF Philippine Fd $1	862		–	–	–	–
§	F.P.	–	344	319	Do. Warrants	344	+23	–	–	–	–
–	F.P.	–	105	80	Leveraged Oppty Tst.	85		–	–	–	–
–	F.P.	–	61	38	Do. Warrants	41		–	–	–	–
§75	F.P.	–	78	75	‡Micklegate Group 1p	75		R2.25	3.4	4.0	8.8
††	F.P.	–	81	66	*Mid-States	70		–	–	–	–
†	F.P.	–	£13¼	£13¼	Millicom Inc. 1c	£13¼		–	–	–	–
§50	F.P.	–	52	40	Pacific Horizon Inv 10p	47		–	–	–	–
–	F.P.	–	28	17	Do. Warrants	19		–	–	–	–
–	F.P.	–	25	17	Pacific Prop Wrrnts	23		–	–	–	–
§130	F.P.	–	143	115	Partridge Fine Arts 10p	118		R3.5	2.5	4.0	10.9
†	F.P.	–	83	75	Pendragon	77		W4.25	2.6	7.4	7.0
18	F.P.	–	11½	18	Prospect Inds. 5p	11½		R0.3	2.4	3.6	9.3
100	F.P.	–	120	100	*Ramsden's (Harry) 10p	115		R4.5	1.1	5.2	25.1
§158	F.P.	–	162	159	‡Regal Hotel Grp 2p	160		–	–	–	–
†	F.P.	–	£30¼	£27½	Stora B Free Sk25	£28¼	+¼	Q40%	3.8	3.3	7.9
§25	F.P.	–	40	25	‡Storm Group 1p	37	–1	–	–	–	61.3
†	F.P.	–	16½	15¼	‡Surrey Group 5p	15¼		R0.23	3.3	1.9	14.6
□	F.P.	12/1	543	528	TR High Inc Tst Units	543	+5	M6.0	–	7.7	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
98.94	F.P.	-	99⅛	97	British Inv. Tst. 11¼pc Sec. Db 2012	97	-⅛
89.65	£30	-	29⅞	29½	Brixton Ests. 10⅝pc 1st Mtg Db 2012	29½	-⅛
100p	F.P.	22/12	102p	97p	Caird Grp. 7p Cm. Cv. Pf. 2009 10p	98p	
§99.68	F.P.	-	100⅛	97½	Foreign & Col. 11¼pc Db. 2014 £100	98½	-⅛
100p	F.P.	-	100p	93p	MB Grp. 7.25p Cv. Cm. Rd. Pf. 15p	95p	+1
§420p	P.P.	10/7	138p	96p	Tiphook Units	106p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
111	Nil	19/1	13pm	8pm	‡Allied Ins. Brokers10p	8pm	
12	Nil	19/1	3pm	¼pm	‡AmBrit Intl. 5p	¼pm	–½
40	Nil	5/1	11pm	5pm	CRT Group 10p	5pm	
30	Nil	8/1	3pm	2¼pm	‡Crossroads Oil 5p	3pm	
Ir70	Nil	12/1	12pm	6pm	European Leisure	9pm	+2
95	F.P.	5/1	182	120	Ingham (George) 10p	130	
Ir295	Nil	17/1	40pm	25pm	Jacob (W & R)	25pm	–5
230	Nil	17/1	40pm	38pm	‡Jeyes Group 5p	38pm	
10	Nil	–	6½pm	4½pm	‡Surrey Group 5p	4½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ‡ Official London listing. □ Units comprising 5 ord and 1 sub share. ‡ Third Market.

TRADITIONAL OPTIONS

- ● First Dealings Dec 4
- ● Last Dealings Dec 18
- ● Last Declarations Mar 8
- ● For settlement Mar 19

For rate indications see end of London Share Service

Calls in: Amstrad, Tusker, Leisure Invs., Nu-Swift, SelecTV, Kelt Energy, Cowie (T.), Ferranti, Control Secs., Oliver Res.

LONDON TRADED OPTIONS

THE London Traded Options Market started the week quietly ahead of the launch of two water contracts this morning. Trading totalled 22,418 equity options, out of which 14,665 were calls and 8,813 were puts.

The FT-SE Index options contributed 5,073 of the contracts traded with 2,526 calls and 2,547 puts. These included a "timespread" by Barings which sold 450 Dec 2,300 puts at 15 and bought 450 Feb 2,300 puts at 65. Shephards sold 500 Dec 2,300 and bought 500 Dec 2,200 which, with the FT-SE at 2,351.4 at the close yesterday, represents a bearish "bullspread." James Capel sold 200 Dec 2,350 FT-SE calls. The Dec 2,300 puts were the most popular FT-SE contracts. 764 were traded.

The top individual stock was BT with 1,503 contracts traded, of which 1,270 were calls and 233 puts. The most active BT series was the tha May 300 calls with 925 contracts traded. Business was also strong in Feb 2,800 calls where Citicorp crossed 500 contracts.

Lonrho was the next most active stock contract. It finished the day with a total of 1,377, of which 886 were calls and 497 puts, the busiest contract was the March 300 calls with 501 changing hands.

BP was also busy with 1,251 contracts traded. Of these 1,099 were calls and 152 puts. The Jan 260 calls were popular and 350 were traded.

Amstrad, which had an AGM yesterday and benefited in the underlying market from a BZW buy recommendation. Jun 50 puts accounted for 303 of the 326 Amstrad puts traded and there were 746 calls for a total of 1,072 contracts.

British Gas traded 920 contracts, 720 calls and 200 puts with the March 220 most in demand. Other popular stock options were Beecham, 882 contracts traded, Lasmo, 733 contracts, and Hanson which reported results, with 731 contracts.

Other big trades in the market included 400 Jan 110 calls in Asda bought by Capel at 6 and 500 May 45 Ferranti calls bought by FIL for 7.

Option		CALLS Jan	CALLS Apr	CALLS Jul	PUTS Jan	PUTS Apr	PUTS Jul
Allid Lyons (*484)	420	72	88	95	1½	6	11
	460	35	60	65	6	14	22
	500	15	33	43	27	33	38
ASDA (*109)	110	8	14	18	8	10	12
	120	4	9	13	14	17	18
	130	2	7	10	23	24	26
Brit. Airways (*209)	100	36	41	42	1	4	6
	200	15	24	28	5	9	32
	220	5	15	17	15	18	21
Brit Com (*96)	90	14	20	22	7	9	32
	100	9	15	10	11	13	17
SmKl Beecham A (*603)	550	–	83	100	–	10	12
	600	25	48	65	17	22	28
	650	6	25	–	50	52	–
Boots (*269)	260	19	31	37	5	9	13
	280	7	20	26	16	18	21
	300	3	12	–	32	32	–
B.P. (*329)	280	33	39	63	1	4	5
	300	34	41	46	2	6½	10
	330	10½	21	25	9	15	19
British Steel (*129)	110	21½	26	28	1	1½	3
	120	12½	17½	19½	1½	2½	4½
	130	–	–	13	–	–	8
Bass (*1041)	1000	68	112	135	14	25	35
	1050	34	80	105	35	47	55
	1100	13	52	–	60	75	–
C & Wire (*514)	460	63	855	100	4½	11	16
	500	33	57	75	13	23	31
	550	11	34	48	45	50	57
Cons. Gold (*1480)	1450	20	–	–	5	–	–
	1500	4	–	–	45	–	–
Courtaulds (*388)	330	63	76	82	2	5	7
	360	35	51	59	5	10	14
	390	16	32	38	15	20	27
Com. Union (*481)	420	67	76	87	3	7	10
	460	55	43	58	9	19	22
	500	12	22	37	27	36	38
GKN (*419)	390	38	48	60	6	16	20
	420	18	30	45	10	30	32
	460	4½	13	–	45	58	–
Grand Met. (*599)	550	61	75	93	5	16	21
	600	25	44	62	28	37	42
I.C.I. (*1124)	1050	94	117	140	9	27	35
	1100	57	84	107	20	47	54
	1150	30	54	82	44	72	80
Jaguar (*845)	800	51	55	54	1	1	1
	850	1	4	4	10	10	10
	900	½	½	½	60	60	60
Kingfisher (*287)	280	10	32	36	7	10	18
	300	9	22	26	19	23	28
Ladbroke (*316)	300	25	37	44	5½	18	13
	325	9½	–	–	17	–	–
Land Secs (*517)	500	30	52	60	8	14	20
	550	8	28	35	35	40	47
M & S (*199)	100	23	31	34	2	3½	5
	200	8	17	21	7	9	12
STC (*274)	260	22	29	38	66	12	16
	280	10	19	28	14	21	26
Sainsbury (*270)	240	35	45	49	2	2½	4½
	260	17	29	34	4	6	9
	280	6	16	23	12	13	13

Option		CALLS Jan	CALLS Apr	CALLS Jul	PUTS Jan	PUTS Apr	PUTS Jul
Shell Trans. (*475)	420	65	72	82	1½	6	12
	460	31	40	57	6	16	22
	500	9	20	33	27	35	37
Storehouse (*113)	110	8	15	18	6	18	12
	120	4	10	15	12	13	18
Trafalgar (*371)	360	–	42	53	–	16	21
	377	10	–	–	20	–	–
Utd. Biscuits (*361)	360	16	29	38	9	15	19
	390	5	14	–	29	37	–
Unilever (*702)	650	66¼	86¾	105	4	12¼	17¼
	700	29½	53½	73¾	18¼	29¾	34¾
	750	9¼	30¼	49	51¾	58¼	62
Ultramar (*356)	300	63	68	80	1½	5	7
	330	37	47	60	5	13	15
	360	16	28	40	18	25	28
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Brit. Aero (*575)	500	96	105	119	8	10	22
	550	57	60	87	20	32	42
	600	27	46	–	43	53	–
BAA (*382)	330	63	77	80	2	5	7
	360	38	52	58	6	8	13
	390	18	33	40	17	22	25
BAT Inds (*828)	800	70	98	125	22	35	39
	850	41	70	93	44	60	65
BTR (*466)	420	59	70	85	3½	18	13
	460	28	43	57	16	24	27
	500	11	24	–	37	45	–
Brit. Telecom (*290)	260	37	47	52	2	3½	5½
	280	21	30	36	6	8½	11
	300	7¼	18	23	16	17	19
Cadbury Sch (*352)	300	60	65	75	3	6	8
	330	55	44	55	7	14	17
	360	16	28	40	21	29	32
Guinness (*647)	600	70	83	100	7	16	17
	650	35	52	72	25	33	38
GEC (*222)	220	11½	21	26	9	10	14
	240	4	11	17	21	22	26
Hanson (*223)	220	13½	25	27	7	8½	11
	240	4¼	12½	17½	19	20	21
LASMO (*578)	550	55	75	92	15	27	30
	600	25	48	65	38	47	50
P. & O. (*590)	550	61¼	74¼	88¼	7¼	17½	20½
	600	28¼	44	60¼	26	38¼	42½
Pilkington (*236)	220	26	36	39	5	7	11
	240	13	24	27	13	15	19
Prudential (*221)	200	28	32	37	4	7	10
	220	14	17	25	32	13	17
Racal (*241)	240	–	–	35	–	–	22
	250	13	–	–	16	–	–
R.T.Z. (*576)	550	–	60	76	–	22	25
	600	20	33	50	35	47	50
Scot. & New (*342)	330	30	45	53	13	18	27
	360	17	32	38	32	35	42
Tesco (*194)	100	21½	27	32¼	3½	5¼	7
	200	9¼	15½	21¼	12¼	14½	15¼
	220	3½	7¼	–	28	28½	–
Option		**Jan**	**Mar**	**Jun**	**Jan**	**Mar**	**Jun**
Abbey Nat. (*164)	160	9	14	16	4	9	10
	180	1½	5	9	10	19	21

Option		CALLS Feb	CALLS May		PUTS Feb	PUTS May	
Plessey (*268)	260	11	–	–	½	–	–
	280	¼	¼	–	–	–	–
Option		**Jan**	**Mar**	**May**	**Jan**	**Mar**	**May**
Ferranti (*41)	40	6	8	10½	4½	6	7
	45	3	5½	7½	7½	8½	9
Polly Peck (*412)	390	38	53¾	65	8½	16½	19½
	420	20½	36½	46¾	22	29¾	32
Option		**Dec**	**Feb**	**Apr**	**Dec**	**Feb**	**Apr**
Reuters (*1020)	1000	32	73¾	98¾	8½	29¼	42
	1050	7½	47¼	71¾	36½	54¾	66
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Amstrad (*42)	40	5	10	11	2½	6	7½
	45	2½	6½	18	6	8½	10
Barclays (*544)	500	46	68	77	2	13	18
	550	8	28	45	13	32	38
Blue Circle (*237)	220	19	32	34	1½	5	15
	240	–	–	24	–	–	22
British Gas (*225)	220	7	14½	25	3	18	12
	240	1	7	14	16	18	19
Dixons (*136)	130	8½	17	22	3	8	12
	140	4	11	17	8	14	14
Glaxo (*791)	750	45	80	104	3	16	23
	775	25	62	88	7	23	34
	800	15	47	–	22	35	–
Hawker Sidd. (*669)	650	26	67	85	8	38	35
	700	4	42	53	42	45	55
Hillsdown (*272)	260	15	35	36	2	8	3
	280	5	18	25	11	17	21
Lonrho (*298)	283	10	–	–	2½	–	–
	300	–	17	30	–	26	28
Midland Bk (*373)	360	16	33	40	5	19	25
	390	1½	16	25	21	37	40
R. Royce (*172)	160	13	22	24½	1	4½	7½
	180	2	10½	14½	10	15	18
Sears (*104)	100	6	11	13½	1½	4	6½
	110	1½	6½	18	7	9	10½
THF (*297)	280	18	35	40	1	8	14
	300	4½	22	29	6½	13	19
Thorn EMI (*781)	750	34	72	100	4	19	28
	800	7	37	70	32	40	47
TSB (*127)	120	8	12	18	1½	4	6
	130	2½	7	10	5	9	10
Vaal Reefs (*$109)	160	9¼	17	20½	2	9	11½
	110	4	12	15½	6	14	16½
Wellcome (*748)	700	53	90	125	4	25	32
	750	10	63	95	20	42	55

FT-SE INDEX (*2353)

	2100	2150	2200	2250	2300	2350	2400	2450
CALLS								
Dec	264	214	165	118	76	41	19	7
Jan	288	240	195	155	117	83	57	36
Feb	307	261	220	178	142	110	83	59½
Mar	325	283	242	204	167	135	106	82
Jun †	368	–	290	–	222	–	163	–
PUTS								
Dec	2	3	4½	8	16	31	60	100
Jan	11	13	20	28	42	68	82	119
Feb	18	24	32	42	55	73	98	130
Mar	24	30	38	48	62	83	107	135
Jun †	37	–	54	–	82	–	130	–

December 11 Total Contracts 22,848

Calls 14,665 Puts 8,183

FT-SE Index Calls 2526 Puts 2547

*Underlying security price. † Long dated expiry months

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GROUPE DU CREDIT LYONNAIS
LE POUVOIR DE DIRE OUI PARTOUT EN EUROPE.

US buy helps Carlton vault to £112m

By Andrew Bolger

CARLTON Communications, the rapidly-expanding video and television services company, more than doubled pre-tax profits from £49.13m to £112.39m in the year to September 30.

The figures included a 50-week contribution from Technicolor, the US film processing and video duplication concern for which Carlton last September paid $780m, and a three-month contribution from UEI, the digital processing and engineering group which Carlton bought in May for £490m.

Boosted by these acquisitions, turnover increased to £577.63m (£217.42m). Earnings per share rose 30 per cent to 53.2p.

Mr Michael Green, chairman, said that the international home video market continued to expand and orders for this Christmas had broken industry records. Titles such as Bambi, Who Framed Roger Rabbit? and Bstman together were expected to sell sbout 30m tapes in the US aloae.

Total industry sales in the current year were expected to exceed 200m videos in the US, an increase of 48 per cent. In the UK, the video market was expected to double.

Half of Carlton's sales were in North America. However, because of the UEI purchase it is expected that Europe and Asia will become a more significant part of the total in the current year.

Carlton's position in the market for professional video and sound products had been greatly strengthened by the start-up of satellite, cable and terrestrial TV in the UK and Europe. This had led to an increase in demand due to new stations equipping their facilities, renewed investment by existing broadcasters, and new independent facilities companies entering the market to service the expected growth.

Mr Green said that delayed production shipments at Abekas of the A72 digital character generator, the A84 digital disc recorder and the A34 integrated post-production unit had now begun and each of the products had a long order book. Staffing levels at Abekas in the UK had been increased by 20 per cent to meet the growth in European demand.

Film processing operations had been affected in the short term by corporate activity among the Hollywood film studios which led to the rescheduling of releases by two of its major customers. Technicolor had since gained an exclusive worldwide film processing contract with Walt Disney.

Mr Green said the group's involvement in programme production had been recently enhanced by a new joint venture with Paramount Pictures. Through Zenith, Carlton had been contributing drama series, children's programmes, games shows and music programming across the UK network, but lacked penetration in the North American market.

He added: "In joining Paramount we gain access to a wealth of experience in international programme making and distribution."

A proposed final dividend of 6.3125p will bring the total for the year to 9.37p, an increase of 25 per cent. Carlton's shares closed 17p down at 852p.

See Lex

3i Group investment up by £97m to £375m

By Charles Batchelor

STRONG DEMAND for funding from Britain's new and growing businesses led to an increase in investments by 3i Group, the UK's largest venture capital company, in the six months to end-September thongb the uncertain economic outlook may depress demand in future.

3i invested £375m in the first half of the year ending March 1990 compared with £278m in the same period last year.

However, the company's total return to shareholders fell from £115.3m to £92.9m (including £15.9m resulting from changes to the basis of valuations).

The decline partly reflected an increase in the level of provisions, reflecting expectations of more difficult trading conditions for 3i's customers.

The long term trend of 3i's return to shareholders, measured in terms of net assets per share growth over five years, remained strong at 23 per cent a year, the company said.

Pre-tax profits, which do not reflect the changes in the valuation of 3i's portfolio which influence the total return, showed an increase.

They rose from £119.1m to £133.4m. 3i has increased its interim dividend from 3p to 3.3p. It paid a final dividend of 5.75p last time.

Gronp income rose from £128.9m to £156.9m. Provisions rose from £25.7m to £46.2m. Shareholders funds rose from £1.06bn to £1.25bn.

3i plans to open two new offices later this year in Milan and Madrid with the aim of making international business an increasingly important part of overall activity.

Builder Group recommends £56m offer from CEP Comms

By Nikki Tait

THE BUILDER Group, UK publisher of magazines and periodicals for the construction industry, last night recommended a £56.1m offer from CEP Communications, the fast-growing Paris-based publishing group.

The bid comes after several days of discussions between the UK publisher and several potential suitors. It is worth 340p a share in cash and there is also a loan note alternative. News of the offer came after the market closed, but Builder shares had already risen from 335p to 344p.

Shareholders and directors speaking for around 29 per cent of the company have given irrevocable undertakings to accept the bid.

Not included in the irrevocables, however, is the holding of EMAP, the UK printing and publishing group which snapped up a 9 per cent stake in The Builder Group last August.

Last night, Mr Robin Miller, EMAP's chief executive said he was "interested to see the announcement but we have no further comment to make".

Mr Brian Giffin, The Builder Group's chairman, said that he could not comment on what approaches the company might have received, nor from whom, in the wake of its announcement last week a bid proposal might be imminent – although he confirmed that there had been more than one suitor. He said that the CEP offer had been the most attractive and represented a "full and fair price", but would not say whether it was the highest cash price on the table.

In deciding to go with CEP, Mr Griffin claimed that the company had been looking at ways of tackling Europe, and had felt this would be difficult without some form of joint ventures. CEP has also said it will maintain the existing operations and structure of The Builder Group, with all current directors due to remain in office.

CEP, which is quoted in Paris with a market capitalisation of around £719m, publishes over 70 trade magazines - including Le Moniteur, which claims to be the largest weekly magazine for the building industry in Europe. It also became the second largest book publishing company in France in 1988, following a deal with Generale Occidentale.

Yesterday, The Builder Group also unveiled its interim profits for the period to end-September. The pre-tax figure rose from £1.04m to £1.6m, on sales of £8.4m (£7.6m). Basic earnings per share were 6.73p (6.53p) or 5.93p (4.06p) on a notionally taxed and fully diluted basis. The interim dividend is 1.5p (1.2p).

In spite of the downturn in some parts of the building industry, the company maintained that its spread of titles cushioned the impact in the first half, and should continue to do so in the second.

Adia renews attack on Hestair

By John Ridding

ADIA, the Swiss personnel services and consumer products group which is bidding £167m for Hestair of the UK, yesterday stepped up the war of words between the two companies.

Attacking Hestair's defence document for failing to address "three critical issues", Mr Peter Muller, bead of Adia's personnel services operations, said "we are looking forward to Hestair producing information which has relevance to this bid."

"Why do they think that shareholders will be interested in planned US sales by 1994 when they have given no information about profits and earnings in the current financial year," he says.

The other areas which Adia claims have been neglected by Hestair are the current trends in its principal markets and "Hestair's poor recent earnings per share record."

Hestair's shares closed down 1p yesterday at 304p, still comfortably ahead of the 282p per share offer price. An analyst's note issued yesterday argued that Adia would need to increase its offer by between 40p and 50p to secure control.

Norfolk raiders call for EGM

By Jane Fuller

THE TRIUMVIRATE of hoteliers attempting to seize the reins at Norfolk Capital, the hotel group, has called for an extraordinary general meeting, after directors yesterday rejected its proposals.

The bid to take over Norfolk's management is being mounted by Balmoral International, an Edinburgh-based company, which last week took its stake in the company to more than 13 per cent - the largest holding.

Balmoral's proposals include the ousting of Mr Peter Eyles, Norfolk's managing director. The company would instead be run by Mr Peter Tyrie, Balmoral's managing director, and his colleagues Mr Colin Wearmouth and Mr Michael Williams.

The trio is asking for a £500,000-a-year management fee, plus up to £7m more by 1994 related to increases in earnings per share and dividends.

Mr Tony Richmond-Watson, Norfolk's chairman and a director of Morgan Grenfell, said it would be "entirely inappropriate for a public company to give the management of its assets and business to another company."

The proposals had been unanimously rejected at yesterday's board meeting. "Each of the directors said they had not at any time given any indication of approval." He stressed that he had no doubts about Mr Eyles's abilities.

Mr Tyrie, who has previously managed Gleneagles Hotels and Mandarin Oriental hotels, based in Hong Kong, said Balmoral aimed to enhance value for Norfolk's shareholders. He described the company as "somewhat dead."

His plan for Norfolk was "to get rid of the peripheral activities and to concentrate on the top end" – that is, five-star hotels. This might mean disposing of pubs and reviewing the St James's Clubs, which he said had been bought dearly from Mr Peter de Savary (about £22m was paid for the London and Paris clubs in 1987).

Last year, Norfolk made a pre-tax profit of £5.34m on turnover of £43.6m. Earnings per share fell to 1.03p. The asset backing per share stands at 47.7p.

Norfolk's share price rose 2¼p yesterday to 34¼p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airtours ....fin	5.5	-	4.9	7	6.25
Berkeley Group ....int	1.5	-	1.5	-	4.5
Carlton Comms ....fin	6.3125†	Apr 6	5.05	9.37	7.5
Eng China Clays ....fin	13	Apr 6	11.7	19.6	17.5
Eurocopy ....fin	2.1†	Apr 6	0.6	3	0.6
Great West Res ....fin	3	-	3	5	5
Harris (Phillip) ....int	2	Feb 2	2	-	5.5
Holmes/Marchant ....fin	4.5†	-	3.55	7.5	6
JLI § ....int	1.3†	Feb 7	1.175	-	3.5
Learmonth & Bur ....int	0.8	Feb 12	0.6	-	2
Marling Inds ....int	1.3†	Jan 15	1.2	-	4
S&N Breweries ....int	4.42	Feb 16	3.1	-	10.83
Venture Plant § ....fin	2	Jan 23	-	3.25	-
Watergiade Intl ....int	1.95	Jan 29	1.75	-	4.6
Whitecroft ....int	4.6†	Jan 29	4.1	-	13.6
Wolv & Dudley ....fin	5	-	4.85	8.2	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

Spencer approached

Spencer (Aberdeen) has received an approach from Landlaw which may lead to an offer being made on behalf of Landlaw for the issued share capital of Spencer. The board of Spencer hopes to be in a position to make a further announcement soon.

Holmes & Marchant up to £7.7m

By John Ridding

HOLMES & MARCHANT, the marketing consultancy group, overcame an increased interest burden to report a sbarp increase in taxable profits, from £4.49m to £7.67m for the year to end-September. The shares rose 8p to close at 200p.

The result was achieved on sales of £60.38m, almost double last year's figure of £30.55m.

The increased interest charge, which rose from £94,000 to £793,000, reflected the use of cash rather than the issue of shares to finance deferred acquisition payments.

At the year-end, net borrowings stood at £5.6m and the interest charge was covered approximately 10 times by operating profits.

As usual, the design division contributed more than 50 per cent of group profits. According to Mr John Holmes, chairman, the division performed ahead of expectations, with both Holmes & Marchant Graphics and Facet Group having performed particularly well.

New clients gained during the year include British Gas, Hamleys Toyshops, Martini and London Regional Transport.

The results also included a first-time contribntion from Catalyst Communications, the sales promotion business which was acquired in October 1988 for about £13m.

The new business added £1.84m to profits which the group said was in line with expectations.

During the period, the group increased its European presence through the acquisition of a 75 per cent stake in Consultores de Comunication y Direccion, a Madrid-based communications consultancy.

The group remains confident abont the opportunities for growth in the current year. "Whichever way the economy turns, clients need to protect and build their brands. Past experience shows that in times of recession industry focuses on short-term tactical support," said Mr Holmes.

Earnings per share advanced from 25.8p to 30.2p and the final dividend is raised to 4.5p (3.55p) giving a total of 7.5p (6p).

● COMMENT

Holmes & Marchant's relatively bullish statement contrasts markedly with the doom and gloom emanating from much of the design and marketing sector. To a large extent this is justified by the areas in which H&M operates. It is focused principally on design and sales promotion – which are one of the first lines of defence employed by clients facing a build-up of stock – and has little dependence on advertising. Similarly, less than 1 per cent of sales are in retail design. This said, there is no reason to suppose it would escape the impact of a marked economic slowdown and even the current level of decline may operate with a lag. Pre-tax profits this year should reach £8.8m placing shares on a lowly prospective multiple of 6. On fundamentals, this is probably too cheap, hut it is unrealistic to expect a company of H&M's size to shake the pessimism surrounding the sector as a whole.

UK COMPANY NEWS

Joint venture with Titan Cement of Greece will ensure supplies

ECC meets expectations with £151m

By John Ridding

TOUGHER trading conditions and a doubling in interest charges limited English China Clays, one of the world's largest supplier of minerals to the world paper industry, to pre-tax profits of £150.6m for the year to the end of September, an increase of only 3.6 per cent.

But the results were at the top end of expectations and included an improved second half performance from its core industrials minerals division after a disappointing first six months. The shares rose 6p to close at 428p.

The group also announced yesterday that it was forming a £6m joint venture with Titan Cement of Greece to import and distribute cement. Increased cement prices cost ECC more than £2m last year and the new company, described as "the first association in the UK between a major cement manufacturer and a user", is intended to ensure stable supply and lower prices.

With respect to the year's results, Mr Stan Dennison, chief executive, said that "the group has demonstrated its ability to react quickly and positively, thereby achieving a satisfactory result despite difficult market conditions."

Group turnover during the period increased from £936.9m to £982.2m and earnings per share advanced to 44.91p (43.82p). The final dividend of 13p (11.7p) gives a total for the year of 19.6p (16p).

Paul Murphy

Stan Dennison, chief executive, right, and Bob Carlton-Porter, finance director - reacting quickly and positively

The industrial minerals division, which represents the bulk of profits, increased its contribution from £81.9m to £89.7m despite a slowdown in the growth of the European paper industry which resulted in sales of Kaolin falling by about 2 per cent over last year.

But this was more than compensated by the increase in sales of Calcium Carbonate which lifted worldwide sales of industrial minerals above 6m tonnes for the first time.

The strongest performance came again from the construction materials division, which increased operating profits by 21 per cent to £50.2m. Margins also improved, from 12.9 per cent to 14.9 per cent.

But the construction division suffered from the depressed housing market and completed only 691 house sales compared with 1,289 last year. However, a sharp increase to achieved prices from an average of £58,000 to £68,000 enabled a rise in divisional profits.

A more serious setback was experienced at the group's drilling fluids business which sharply increased its losses from £100,000 to £1.9m. The loss, which was much larger than anticipated reflected the downturn in oil drilling in the US.

The issue of preference shares in the US in August raised £122m and helped cut group borrowings from £171m to £101m. But the timing of the issue meant that interest charges rose from £10.8m to £20.8m.

The group announced that it is changing its name to ECC Group, with effect from March, to reflect the full nature of its business. It is also changing its year end to December 31 to bring it in line with its major customers and markets.

See Lex

Scottish & Newcastle ahead 21%

By Philip Rawstorne

SCOTTISH & NEWCASTLE Breweries, which expects to raise £30m-£45m from the sale of 300 of its 2,300 pubs early next year, yesterday reported a 21 per cent increase to £87.4m in pre-tax profits for the half-year to October 29.

Operating profits rose 38 per cent to £111.5m on turnover up 20 per cent at £613.2m (£510.2m).

The results included a full six months for Thistle Hotels – the £645m sale of the division to Mount Charlotte was yesterday given the all clear by Mr Nicholas Ridley, the Secretary for Trade and Industry.

Mr Alick Rankin, chairman and chief executive, underlined the benefits of the deal in reporting that profits growth from the hotels had been "disappointing" due to slackening business demand.

Pontin's and Center Parcs, the company's new leisure interests, had traded strongly, making a first contribution, net of financing costs, of £6.6m to pre-tax profits.

Mr Rankin added: "We have great confidence in their potential."

Good weather and more flexible licensing hours boosted beer sales through pubs and the take-home trade also recorded "significant growth".

The company, which apparently sees no sign yet of losing the Australian brewer, Elders, from its list of shareholders, is selling some 300 pubs next spring to avoid the problems of the post-MMC rulings on tied houses.

Mr Rankin said: "While we must view current economic indicators with concern, in particular pressures on consumer demand at home, the company is in a strong competitive position in a changing beer market with the balance sheet strength to take advantage of opportunities as they arise."

Earnings per share were 14.6p, up from 12.9p. A near-43 per cent rise in the interim dividend to 4.42p is intended, in part, to give a better balance with the final payout.

See Lex

W&D Breweries rises but issues warning

WOLVERHAMPTON & Dudley Breweries yesterday reported pre-tax profits of £30.63m for the 12 months to October 1 – a rise approaching 15 per cent but still at the lower end of City expectations, writes Philip Rawstorne.

Furthermore Mr David Thompson, managing director, warned that the year ahead did "not hold out much cheer" for the company.

The profits included s one-off employee bonus adjustment of £585,000.

The take-home trade had a good year with volume and market share growth, in spite of an estimated 20 per cent decline in the free trade club sector in the Midlands.

More flexible licensing hours boosted tied trade volume and profits.

Nine new pubs were opened and 43 others refurbished.

Crown & Raven hotels also contribnted substantially to the year's growth.

With beer volumes likely to decline by up to 3 per cent during the coming year, Mr Thompson said progress would have to be made through increasing market share.

But consequent heavier marketing and distribntion costs would slow the rate of growth in trading profits.

The capital expenditure needed to maintain the company's competitive position was likely to increase interest charges to £5m.

"But the softening of the UK housing market does enable us to do much building work at good value," Mr Thompson said.

Trading profit was 19.5 per cent ahead at £32.23m on turnover of £158m.15m.

Earnings per share rose 15 per cent to 31p.

A final dividend of 5p is proposed, making a total of 8.2p, an increase of some 17 per cent.

● COMMENT

Analysts were impressed by Wolverhampton & Dudley's "frank and realistic" assessment of tougher trading conditions ahead, and its need to maintain a high level of capital investment. While profits estimates for next year were scaled down to about £34m, the investment strategy was given the thumbs up. The brewer is still seen as one of the main potential beneficiaries of the post-MMC liberalisation of the industry, notably as a supplier of "guest" cask-conditioned ale to the tied outlets of national brewers. The more it can do now to ensure its opportunities are fully exploited, the better.

Ford's Jaguar offer unconditional

Ford Motor Company yesterday announced that its offer for Jaguar bad been declared unconditional, having acquired or agreed to acquire 77.4 per cent of Jaguar's shares.

By the morning of Friday last week Ford Britain had received valid acceptances in respect of 43.1 per cent of the shares. In addition, valid acceptances under the US offer had been received in respect of about 21.3 per cent. Prior to the offer, Ford already controlled more than 10 per cent.

The offer has been extended until further notice. At least 14 days notice will be given before the UK and US offers are closed.

UK COMPANY NEWS

Awash with a torrent of water applications

Andrew Hill on the statistics and opinions behind the over-subscription for the shares

NORTHUMBRIAN Water's customers may feel a little disgruntled this morning.

Unlikely as it at first seemed, Northumbrian, smallest of the 10 privatised water companies, proved the most popular with private investors. For a combination of reasons – good management, takeover speculation and a handsome yield among them – the company received nine times as many applications from the general public as there were shares available for them. That was after clawing back shares provisionally allocated to investment institutions.

As a result, no private investor has received more than 200 shares and those who applied for 4,000 or more have received none at all.

Among those scaled down to zero was Sir David Chapman, a director of Wise Speke, the Newcastle stockbroker.

"After all the hype and everything I think it's disappointing – personally I would have preferred a hallot," he said yesterday. "On the face of it, it seems very unfair: I think [Wise Speke clients] feel slightly aggrieved – I mean after all this nonsense about pre-registering."

There were few surprises in the basis of allocation. Thames, Wessex and Southern – which follow Northumbrian in the over-subscription league table – were widely tipped. They also top the list of companies most popular with their own customers.

That is probably more a reflection of the relative prosperity of the 10 water regions, than an indication of the local perception of the water and sewage businesses. Thames, for example, attracted applications from 3.8 per cent of its population of 11.7m. The bottom four with customers were Yorkshire, Welsh, North West and Northumbrian. In spite of its popularity with stags from the south-east of England, the north-east's water company only attracted applications from 1.6 per cent of its 2.6m customers.

On the other side of the country, in North West's region, more ambitious local punters have done rather better than their Northumbrian neighbours. Investors prepared to risk up to £15,000 for their first instalment of 15,000 water shares, have been scaled down to 5,000. By contrast, Thames customers who banked on receiving 15,000 will only get 1,100 shares.

"It suits us because most of our clients have applied for North West," said Mr Derek Calrow, a partner with the Bury stockbroker James Sharp. "We advised them to do that because there were more shares available [North West is the biggest company after Thames], but whether we shall feel so happy when we see what the opening share price is I don't know."

Over-subscription is almost certain to keep water share prices healthy in the first few weeks of dealings, starting today. The principal reason is rarity value. Fund managers have seen their provisional placings clawed back to supply the private investors, but they still want to inject the stability of water stock into their equity portfolios.

"On the whole I think UK institutions will still be short and looking for more stock," said one fund manager yesterday. "The most obvious source in the first few weeks will be overseas holders [who received 13.9 per cent of the total issue] selling their stock back into the UK market."

The continued interest of institutions is likely to support the market, as is the continuing strong yield of the companies which compares well with conventional equities. Thames has the lowest starting yield of 8.1 per cent; even if its partly-paid shares rise to a premium of 40 per cent, they will still be offering an annualised return of nearly 7 per cent on the full share price. Small investors who are looking to sell out early at a profit will be hoping that a high level of interest is sustained beyond December 20, when the share certificates will be posted and they can begin dealing for real. For the disappointed potential investors, like Sir David Chapman, December 20 is also the date when some rather large cheques will be returned uncashed.

APPLICATIONS FROM THE PUBLIC

Company	Applications (,000s)†	Shares applied for (ms)†	Times subscribed after clawback*	Number of customer preferential applications(,000s)
Anglian	276.8	300.5	2.2	142.9
Northumbrian	262.1	275.8	9.0	46.6
North West	234.4	265.4	1.6	137.0
Severn Trent	306.8	308.4	1.8	186.2
Southern	257.4	261.5	3.4	128.6
South West	126.7	146.8	2.6	32.3
Thames	669.0	777.9	4.3	440.5
Welsh	137.2	138.8	2.1	58.3
Wessex	185.8	193.2	4.0	82.6
Yorkshire	202.8	241.8	2.6	93.7
	2850.0	2908.0	2.8	1348.7

†Further 66,000 applications for 3.6m shares under Employee Free Offer and Employee Matching Offer, giving total of 2.7m applications
*Number of shares applied for as multiple of total shares available

Two contracts to be launched on traded options market

TWO CONTRACTS for water shares will make their debut on the London Traded Options Market this morning. One is an option for 1,000 Thames Water shares and the other a contract for a package of shares representing all 10 UK water companies, writes Peter Berlin.

The water package option will be the same in composition as the water package offered in the flotation and which accounted for the bulk of institutional buying. It consists of 1,000 shares – 135 in Anglian, 30 Northumbrian, 163 North West, 162 Severn Trent, 75 Southern, 56 South West, 176 Thames, 66 Welsh, 47 Wessex and 90 Yorkshire.

The package option represents an innovation in two respects. It will be the first sector contract on the LTOM, the only other package is a FT-SE 100 option. Furthermore, all other options are for alpha stocks, and the water package will include some companies which are not alphas.

Because the water package is be made of shares in 10 companies, its price will be quoted in pounds for the whole package rather than the usual pence-per-share.

Both water contracts will begin trading as restricted life options on the January-March-May cycle. This means that options for later cycles will not be issued automatically, but only if demand is strong enough.

Waterglade looks to Europe for growth

WATERGLADE International Holdings, property development and investments group, reported a profits rise from £3.28m to £3.13m for the half year to September 30 on turnover up from £6.46m to £19.3m.

Mr WH Adams, chairman, said that the UK economy had been affected by high interest rates. But he was confident that the combination of secure rental income, a diversified UK commercial development programme and expanding continental European operations would enable the company to maintain organic growth.

Operating profit for the period was up from £2.06m to £2.92m, rents receivable amounted to £802,000 (£159,000) and interest payable to £600,000 (£62,000 credit). Tax took £1.13m (£820,000) leaving earnings per share of 6.83p (6.16p) basic and 6.78p (6.22p) fully diluted. The interim dividend goes up from 1.75p to 1.95p.

Cargo acquisition and £2m open offer

CARGO CONTROL is acquiring J&S Component Engineering for an initial consideration of £3.75m. Further consideration of up to £1.5m, together with a sum equal to interest on half that sum may become payable dependent on pre-tax profits for the year to December 31 1990.

The initial consideration is to be satisfied by the issue of 1,052,682 new Cargo ordinary shares which will be placed on behalf of the vendors to realise cash, and the issue of guaranteed loan stock of a principal amount of £2.75m.

Cargo Control is also proposing to raise £2m net by the issue for cash of 2,423,082 new ordinary shares principally to provide security for the loan stock to be issued as part of the initial consideration for the acquisition. All these shares are the subject of an open offer, which has been fully underwritten by brokers Beeson Gregory.

UK COMPANY NEWS

Whitecroft advances 22% to £7.3m

By Andrew Hill

WHITECROFT, the property, textiles, building and lighting products group, increased pre-tax profits by 22 per cent to £7.34m in the six months to September 30, against £6.03m in the equivalent period.

Mr Tom Weatherby, chairman, said that Whitecroft was cautious about the current economic climate, but added that the company was shielded against the immediate effects of a downturn.

"Our different businesses are affected at different times by the UK economic scene: domestic windows are affected very rapidly by interest rate rises, for example, but things like commercial lighting and property development are on a much longer timescale," he said.

Earnings per share rose from 12.79p to 14.8p in the first half and the group declared an interim dividend of 4.6p (4.1p).

Turnover was down to £89.3m against £71.77m previously when there was a contribution from the builders' merchants sold in August 1988.

Property development, which includes housebuilding, again made the largest contribution to profits, at £3.59m (£2.29m).

Mr Weatherby said the division was sheltered from the worst effects of a slackening property market by its geographical bias to the north of England in housebuilding and by its portfolio of small commercial development projects.

The lighting division pushed up profits from £1.79m to £2.6m, and profits from the building products division – distorted by the move away from the builders' merchanting business – were £1.48m (£2.13m).

Compared with a difficult first half in 1988-89, textiles nearly doubled profits, making £1.03m (£532,000). Existing textile subsidiaries increased profits by about 50 per cent and the balance of the increase was due to a three-month contribution from Bandfabriek Hevatex, a recently acquired Netherlands company.

● COMMENT

Whitecroft's solidity must be a comfort to existing shareholders in the current climate, but it is unlikely to attract new investors, particularly as the group's shares have suffered in recent months from the poor market perception of building materials groups. That is somewhat unfair. Commercial lighting and some Whitecroft building products are sold into the later stages of contracts already running, so there is an element of security in that business which is lacking in the domestic market. Mr Weatherby still has his eyes on a major acquisition in the textile, building product or lighting divisions, but for the time being is happier to keep gearing below the end-September figure of 40 per cent. Forecast profits of about £17m or £17.5m put the shares, which yesterday slipped 2p to 304p, on a prospective p/e of abont 9.

Boalloy buy helps Marling to £4.38m

By Clare Pearson

MARLING INDUSTRIES, the manufacturer of industrial textiles and safety products, yesterday announced pre-tax profits up 25 per cent from £3.5m to £4.38m for the half-year to September 30.

The advance was helped by a full six months' contribution from the Boalloy Group, the truck body maker which was a 20 per cent associate until August last year.

At the pre-tax line Boalloy made £1.25m. Group turnover increased from £37.57m to £56.04m.

Fully-diluted earnings per share moved ahead by 9 per cent to 8.28p (7.58p), affected by 1.25m shares issued as part-consideration for the acquisition last July of a 22.8 per cent stake in Thomas French, the curtain styling and home improvements concern. The interim dividend is 1.3p (1.2p).

In the absence of published information, the results excinded any contribntion from Thomas French.

Mr Peter Held, chairman, warned that any prolonged slowdown in the UK was likely to offset growth elsewhere achieved by Marling companies.

In the UK, he said the industrial textiles businesses continued to achieve good results but Boalloy's business had experienced reduced demand since the end of the half-year. This reflected a slowdown in ordering of new commercial vehicles in the face of more difficult economic conditions.

Dutch and Spanish companies were maintaining strong performances. In Australia, rationalisation was complete and companies there were producing good results.

● COMMENT

News of the effects the downturn in the UK truck industry was having on Boalloy left followers in something of a quandary, wondering how severe the problem would be and how prolonged. A downturn in purchases of new vehicles may of course lift the refurbishment side of the business, and refittings as customers lengthen trailers rather than buy new ones. On consideration, most people felt the Boalloy difficulty was not likely to be more than a temporary phenomenon; bnt nevertheless its effects on the second half meant pre-tax profits forecasts for the full-year were pruned back to about £9m. The shares are left on a premium prospective p/e of about 13. This seems fully-valued but they are still seen as worth having dne to Marling's excellent growth record of the last few years and its strong presence in continental European markets.

Steep fall at Berkeley Group to £2.2m

BERKELEY GROUP, the specialist housebnilder and commercial developer, showed an 83 per cent tumble in pre-tax profits in the six months to October 31.

They fell from £12.73m to £2.2m.

Mr James Farrer, chairman, said that the short-term future for residential housing was very difficult to predict given the current economic uncertainties.

He emphasised that the company viewed the year ahead with extreme caution and furthermore warned that the present situation might well worsen.

Turnover declined to £45.91m (£72.76m).

Operating profits were down to £3.97m (£12.68m), and profits from related companies down at £397,000 (£1.03m).

Interest payable, however, rose from £934,000 to £2.16m. Tax took £771,000 (£4.46m), leaving earnings markedly down at 3.4p (19.9p) per share.

The interim dividend is maintained at 1.5p.

Mr Farrer said that the company did not expect to see any significant upturn in housing demand before the latter part of 1990.

However he was confident that, when demand returned, it was well placed to respond effectively.

The company has no land bank and only a small number of properties to be built out.

These factors, which together with its strong balance sheet, meant the company should recover quickly and would also be able to take advantage of current low land values.

NEWS DIGEST

Sharp leap at Edencorp to £826,000

EDENCORP LEISURE, the acquisitive Third Market-listed leisure operator, yesterday announced taxable profits of £826,000 for the period to October 31 1989.

The outcome compared with profits of £213,000 last time. The group came to the market in May of this year at which time its only activity was Iberian Leisure Holdings. Results from this operation were used to provide comparisons.

Since its flotation, Edencorp has purchased a water theme park in Scarborough, North Yorkshire and Redelco, which owns and operates developments in the UK and Portugal. "The impact of our recent acquisitions place us firmly in the international league of the growing European leisure market," said Mr Michael Wallace, chairman.

Turnover more than doubled to £3.41m (£1.57m).

Equipu buy behind Eurocopy upturn

Thanks in no small part to February's £14.2m acquisition of Equipu from Sketchley, Eurocopy, the supplier of photocopying and facsimile equipment, has more than doubled its profits in the year to September 30.

Mr Cyril Gay, chairman, said: "The acquisition of the Equipu Group has not only given us national coverage but has increased our installed machine base almost fivefold." He stressed that the enlarged base increased the potential both for equipment sales and recurring meter income and other service income. Eurocopy also bought Teesdale & Company for up to £1.2m.

At the pre-tax level profits leapt from £3.41m to £7.07m, while turnover more than trebled to £34.48m (£11.51m). Sales of machines and furniture accounted for £22.4m (£6.2m) of this figure, with metered income and service revenne contributing £12.1m (£5.3m). After tax of £2.49m (£1.11m), earnings worked through up at 10.45p (6.22p) per share.

The final dividend is a recommended 2.1p (0.6p) to make 3p (0.6p) for the year.

JLI shows small rise to £0.88m

JLI Group, the USM-qnoted food distribution and processing company formerly known as Jack L Israel, yesterday unveiled taxable profits of £881,000 for the six months to end-September.

The result showed a merely marginal improvement on the £867,000 reported in the same period of 1988 although this included £140,000 from a property disposal.

At the operating level, however, profits expanded by 39 per cent from £977,000 to £1.36m, after interest charges increased to £477,000 (£250,000).

Tnrnovar improved to £37.6m (£29.24m) reflecting "healthy growth in all divisions" and the inclusion of Snndora Foods from May. Earnings per 20p share declined to 3.15p (3.35p) but the interim dividend is raised from an adjusted 1.175p to 1.3p.

All-round increase for Learmonth

With all divisions contributing increased revennes and a major advance from its core consultancy activities, Learmonth and Burchett Management Systems produced a 38 per cent increase from £373,000 to £513,000 in pre-tax profits for the six months to October 31.

Rainer Burchett, the chairman, said that current trading continued to be good and the company felt confident about the year as a whole. Reflecting the confident ontlook the interim dividend has been raised by one-third from 0.6p to 0.8p from earnings of 2.7p (2p).

Turnover of this USM qnoted company rose 46 per cent to £8.03m (£5.49m) in the period while the operating profit improved to £1.56m (£1.19m).

Mowlem sells offshoot to directors

John Mowlem, the construction group, has sold its Peter Cox subsidiary for £10.8m to three directors of the company who have been backed by institutional investors.

Cox is involved in property preservation, hygiene, pest control and building restoration. In the year to December 31, 1988, it made pre-tax profits of £688,000 on turnover of £26.1m.

The bnsiness has been bought by Statgo, a new company formed by the directors.

BUSINESS WANTED

BUSINESS FOR SALE

BUSINESS SERVICES

AIRCRAFT FOR SALE

AIRCRAFT WANTED

OFFICE EQUIPMENT

PERSONAL

HOTELS & LICENSED PREMISES

CLUBS

BUSINESS OPPORTUNITIES

UK COMPANY NEWS

Market share up but margins hit by problem aircraft and excess capacity

Airtours displays 28% advance to £5.21m

By Jane Fuller

AIRTOURS, the Lancashire-based holiday company which has hopped up to third place in the package-tour league, increased pre-tax profits by 28 per cent to £5.21m for the year to September 30.

However, with sales ahead 52 per cent to £155.64m, margins were eroded by one problem aircraft and by excess capacity in August and September.

The company, which draws the bulk of its custom from the north of the country, provided holidays for 664,000 people, compared with 460,000 last year, advancing from 4 per cent to 6.5 per cent of the market.

Mr Harry Coe, finance director, said the company avoided head-on competition with the two giants, Thomson and International Leisure (Intasun), which have nearly 60 per cent of the market.

"We have expanded from regional airports and our marketing is targeted, for example, at families through offering free or reduced prices for children" he said.

While the package holiday market was expected to be 10 per cent down on last year's 11m, the company reckoned it would hold its numbers steady. Mr David Crossland, chairman, said there had been a 50 per cent expansion in its long-haul holidays.

The company remained cash-positive, deriving about £1.7m from investments last year.

It was putting money into two ventures, continuing its "opportunistic" policy of moving into profitable niches, he said. It had set up a directory of 1,000 UK cottages; and, under the name Eurosites, it was starting to offer crossing and accommodation packages at high quality camp sites in France, Spain and Italy.

Both ventures had enabled it to redeploy staff from the less buoyant flight-based wing and the Cottage Directory made use of the same computerised reservation system. Nevertheless, Mr Crossland said UK staff numbers had been slimmed down.

Mr Coe said there was some hope that margins would improve through capacity reductions. "Having cut each other's throats for the last three years, the operators are now working hard to maintain margins."

Paul Murphy

David Crossland: 50 per cent expansion in long-haul holidays

Earnings per share increased by 19 per cent to 20.82p and the recommended final dividend of 5.5p makes a total of 7p (6.26p).

● COMMENT

Airtours' margins may not look impressive, but it does far better than most in an industry where last year the top 30 tour operators made an aggregate net profit of £15.5m, a mere 0.5 per cent of combined turnover. Its cushions include a cash pile and northern customers with more resilient disposable incomes. Without the burden of owning aircraft, it is diversifying into earth-bound holidays. The two "cottage industries" it has so far picked look ripe for a more professional approach, particularly if the inspection system is rigorous. But after a poor pre-Christmas booking season for the flight-based packages, the big question is how many of the interest-rate-bludgeoned UK consumers will turn up in the New Year. A current-year forecast of £8m gives a prospective multiple of 5.4 for a company that should weather the storm better than most.

Philip Harris recovery

PHILIP HARRIS Holdings increased pre-tax profits by 67 per cent from £446,000 to £746,000 in the six months to September 30. Turnover at this scientific, educational and medical equipment supplier was up 32 per cent from £30.86m to £40.87m.

Mr John Haller, chairman, said that, while there was still much to be achieved, the company had made "a very good recovery towards the original long-term targets". In the year to March 31, profits had fallen 40 per cent to £911,000 (£1.51m). He added that the coming year-end result depended on the timely execution of current export awards.

Operating profits were £988,000 (£530,000) and interest took £220,000 (£84,000). With tax set at £261,000 (£156,000), earnings rose to 6.16p (3.71p) per share. The interim dividend is maintained at 2p.

The medical division continued to make progress with a 22 per cent increase in profits on wholesaling activities, while the educational side saw a 62 per cent gain.

The scientific division was now showing the benefit of operating under a single management team.

Grenfell urges Deutsche Bank acceptance

By David Lascelles, Banking Editor

Morgan Grenfell's prospects for this year are "encouraging, with a particularly good performance expected from the corporate finance division", according to the merchant bank's chairman, Mr John Craven.

Writing to shareholders in the offer document for Deutsche Bank's agreed £950m bid, he urges acceptance on the grounds that the takeover will be in their best interests as well as those of employees and customers.

Deutsche Bank, which currently owns 29.8 per cent of Morgan, is offering 550p per share. The offer closes on January 4.

Rothschild ups stake in Dixons

By Maggie Urry

Mr Jacob Rothschild's securities company yesterday disclosed that it had increased its stake in Dixons, the electrical retailer currently fending off a 120p per share cash bid from Kingfisher.

J Rothschild Securities bought 2.5m shares last Wednesday, at prices between 138p and 145p, well above the bid price.

The buying takes the stake held by the J Rothschild group to 2.19 per cent.

Dixons shares fell by 3p to 136p yesterday, while Kingfisher's were up 1p at 287p.

Fleming Int High assets 51.3p

Fleming International High Income Investment Trust reported net asset value of 51.3p at November 30 in its first results since changing its investment policy from being Fleming Technology Investment Trust.

Net revenue for the six months to the end of November 1989 was £607,000 (£508,000) for earnings per share of 0.72p (0.45p).

The interim dividend is 0.65p.

Coated Electrodes back in the black with £111,000

COATED ELECTRODES, the USM-quoted company which last year made a loss of £134,000 is back in the black with a profit of £111,000 for the six months to September 30.

The company revealed this as it announced the takeover of Kembrey Group, the manufacturer of electro-mechanical assemblies and precision engineered products, for a consideration to be satisfied by the issue of 14,267,894 new Coated Electrodes ordinary.

The issue to shareholders of Kembrey will result in a holding representing 50 per cent of the enlarged issued ordinary capital of Coated Electrodes.

The Takeover Panel has agreed, subject to various resolutions being passed, that the vendors will not be required to make a general offer under Rule 9 of the City Code.

The Schroder UK Venture Fund, which will hold less than 30 per cent of Coated's voting rights following the acquisition, will be able to increase its holding up to 30 per cent without incurring an obligation to make a general offer under Rule 9.

As the concert party will hold between 30 and 48 per cent of the voting rights of Coated Electrodes, it will be permitted to purchase additional ordinary shares, without obligation to make an offer, provided that such purchases do not represent more than 2 per cent in aggregate in any 12 month period.

Kembrey Group for the 11 months to May 31 1989 earned a pre-tax profit of £518,000 (£362,000 for the previous 12 months) on a turnover of £6.18m (£7m).

Turnover of Coated Electrodes in the six months ended September 30 was £6.05m (£6.25m) and operating profits amounted to £190,000 (£369,000) or £274,000 (£473,000) on continuing operations.

Earnings were 0.4p (loss of 1.3p). Operations of Sarclad International disposed of subsequent to year April 1 1989 nil (£119,000 loss).

There is no interim and no dividends will be paid until there are sufficient distributable reserves.

Chris Sherwell reports on a waste treatment system being pioneered in Australia

Sewage cleans up in the bath

An Australian filtration company with a new method of removing pollutants from waste water is facing a tough challenge on Sydney's sewage system.

Few cities in developed countries could offer a better testing ground than Sydney. Fly over its sandy beaches and you notice the azure blue sea discoloured by outpourings of city sewage. The phenomenon has become a scandal over the past year, since the local press documented incidents of raw sewage in the surf and accumulated toxins in local fish.

Memtec, which specialises in plastic membrane separations technology, began by concentrating on small-scale industrial waste treatment and food clarification. "At the start it was uneconomical to do sewage, but economical to help with pharmaceutical plants or wine clarification," says Denis Hanley, executive chairman. "We served their needs first and helped ourselves along the learning curve."

Memtec is installing the system at a A$2.3m (£1.2m) demonstration plant to treat 3m litres of sewage discharged daily from one of the Sydney Water Board's plants into a polluted river in the Blue Mountains National Park west of Sydney.

Under current "primary" treatment practice in Sydney, sewage is typically screened for large objects and allowed to settle. When discarded it goes out to sea, where theoretically it is diluted and dissipated. "Secondary" treatment involves bacterial degradation of organic materials in the sewage. "Tertiary" treatment entails further disinfection.

Although the system comprises simple pumps and pipes, Memtec claims that it provides tertiary treatment of waste water. It filters out all polluting materials – solids and greases, toxic heavy metals and organochlorines, even bacteria and viruses.

The process is a complex form of simple filtration, using the tiny pores in plastic membranes to collect polluting materials in water. Memtec has developed techniques for making large lengths of plastic membrane containing a consistent pattern of holes of the desired shape and size. It has also designed a modular system of pipes containing tubes of this membrane which can handle large volumes of water.

To be effective, these tubes must be usable over long periods. They have to be cleaned regularly or the pores block. Memtec has patented a self-cleaning process, which lies at the heart of its technology.

The basic unit of the system is a cylinder of polypropylene membrane fibre one half metre in length which is permeated with millions of rhomboidal pores no more than 0.2 of a micron in size.

This membrane allows only water to pass; contaminants, including bacteria and viruses, cannot get through. Initially, the membrane serves as the filter, but the trapped material enhances its effect by reducing the size of the pores further.

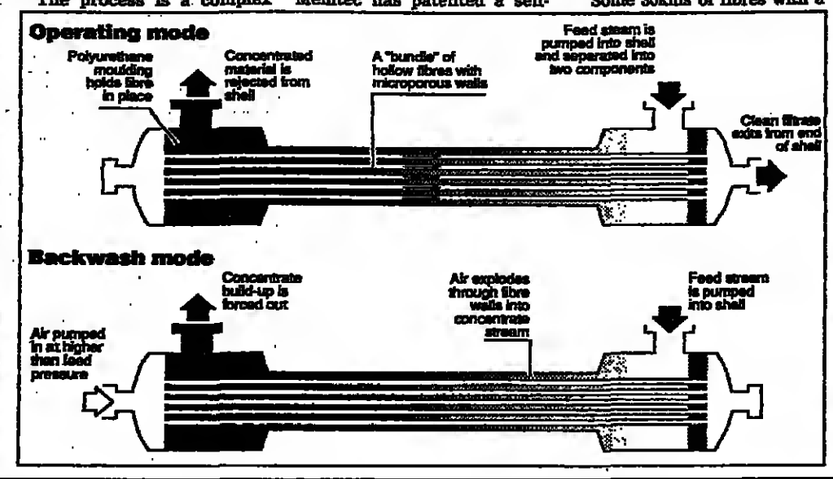
Some 30kms of fibres with a total surface area of 10 square metres are sealed into a cartridge. This is then stacked with others in large modules. Sewage is pumped into the cartridges and made to flow over and around the fibres. Pure water passes through the membranes and out of the cartridges for safe discharge, while pollutants are trapped outside the membrane wall.

Because the pores are so tiny, the contaminants cannot be removed through conventional cross-flow methods, which typically involve a turbulent back-washing with liquids. Memtec's method uses a backwash of high-pressure gas.

The gas goes through the tubes in the opposite direction to the pure water. It passes along the membrane and through its pores, shaking loose the impurities.

The technique works as a result of several factors: the high six-atmosphere pressure of the gas, the fact that it is oxygen (and dry), and the flexibility of the membrane, which allows its overall size to expand and the shape of the pores to change.

The company sees the project as the first step in a proposed three-step programme. The second would be a scaled-up plant capable of treating 40m litres a day. If that goes well the system would be installed in a A$200m project to treat all sewage discharged off Sydney's shores.



Barclays puts 'experts' on its fraud squad

BARCLAYS Bank is testing an expert system to help prevent card fraud. It is especially intended to stop "pre-block" frauds – where the fraudster uses a misappropriated or stolen card to make off with goods or cash before the loss of the card is noticed.

Barclays says a Barclaycard is lost or stolen in the UK once every two minutes. This contributes to the bank's overall losses from card fraud in 1988 of £11.3m, or 0.14 per cent of Barclaycard turnover.

It is a peculiarly serious problem for Barclays because a Barclaycard serves as both credit card and cheque guarantee card. If cardholders have no wish to buy goods or services on credit and make comparatively few cheque payments, it may sit idle for weeks or months. Such a card is a prime target for fraud because the owner may take some time to discover the loss.

Expert systems require two elements: a body of expert opinion which leads to a set of rules; and a way of processing information so that the system appears to give informed answers to enquiries. The system not only gives a weighed view of a situation but can explain the steps which led it to that conclusion.

Barclays worked with consultants Touche Ross to develop and test the system. According to Brown, Barclays had already developed a methodology for testing card fraud. Touche Ross, however, had been building its own expert systems methodology called KADS as a co-development under the Esprit initiative funded by the European Commission.

Barclays is confident of its mechanisms for blocking the use of a card once its loss has been detected. But it is concerned about fraudulent use of cards before the owners have noticed.

The technique is simple: Barclays looks for anomalous transaction behaviour. If the credit vouchers, for example, show that a cardholder who had never before purchased alcohol suddenly used his or her card in an off-licence, the bank rings the owner to ask if the card is safe.

The problem lies in the volume of credit vouchers – 1m a day. The experiments used less than 10 per cent of this total. Two computer programs were used: Select, a comparatively simple program which reduces the entire sample to about 5,000; and Assess, which completes the final analysis.

According to Barclays and Touche Ross: "The system assesses the spending pattern of a particular cardholder and determines whether that pattern is indicative of fraudulent behaviour. The system is able to do this because it represents both activities normal for valid spending and normal for fraudulent spending within its knowledge base. From these it can infer what is normal for a specific cardholder account and assess each particular transaction on the account in these terms."

The success rate in identifying fraud at the point of first transaction has increased by up to 15 per cent, representing a saving sufficient to justify continuing the experiment.

Alan Cane

WORTH WATCHING

Edited by Della Bradshaw

Wall that keeps erosion at bay

RISING sea levels, caused by global warming, are threatening to eat away at coastlines around the world. To help prevent this erosion, a UK firm has patented a method of building a barrier wall more quickly and at lower cost than the usual concrete barriers – and one which can also be designed to blend in with the local environment.

The frame of the Bastion wall, from Hesco, of Leeds, is made from a heavy-duty wire basket covered with a sheet of textile membrane which does not allow seawater to pass through.

It is then filled with locally-acquired landfill material – such as beach gravel or slag – thereby cutting down on the cost of transporting material to the site. The structure is topped up with cement.

The whole wall is sprayed with fibre glass, the colour and texture of which can be altered to blend with the surrounding area.

Taste is only on the surface

THE surface of food structures, as well as their chemical composition, affects the way they react and blend with other food particles.

That is why Suntory, the Japanese food and brewing company, and researchers at Tokyo University, decided to devise a way of analysing the surface particles of food. Eventually the technique could lead to the production of more effective food flavourings and emulsifiers.

The researchers worked on samples of potato starch, wheat flour and rice flour, and tried to change these starchy materials into porous ones, so they would absorb more flavourings. They did this by heating and freeze-drying the starches and mixing them with chemicals, such as ethanol.

They discovered, for example, that when a gel powder made from potato starch was mixed with ethanol, the food particles had more than 100 times capacity to absorb gases containing fragrance components than the untreated potato starch. Yet the gel powder absorbed no more water vapour that the original potato.

Better quality conversation

TRAVELLING by car at 250 kilometres an hour affects more than just the passengers. The quality of the sound on the car phone suffers as well.

To calculate the effects of shadowing and fading that occur in radio phone calls when the car is travelling at this speed, the radio division of Philips, PKI, has developed a system to mimic these effects on the next generation of car telephone handsets and infrastructure.

The simulator demonstrates the effects of terrain and climate – as well as the movement – on the digital cellular radio equipment which will come into operation in some European cities in 1991.

PKI, of Nuremberg, is also offering to use this validation system to test digital radio equipment from other manufacturers.

Little engine packs a punch

A MINIATURE engine, less than one inch long and weighing only 3.5 grams, has been developed to propel the latest space rocket – itself only 14 inches in length.

Eight of these tiny engines are used to power the lightweight exo-atmospheric projectile (Leap), a rocket being developed by Hughes Aircraft for the US Army. When in service, the rocket will be used to track objects moving through space at very high speeds.

The pint-sized engines, developed by Marquardt of California, part of the ISC group, each produce one pound (450 grams) of thrust by expelling hot gases from a gas generator in pulses lasting less that a millisecond in length.

Hughes has also had to develop a miniscule computer processor to control the rocket. The processor weighs less than an ounce, but can perform over 4m operations per second.

Cables and fish make friends

LAYING new telephone cables across the countryside without spoiling the view – by digging ducts or putting up telephone poles – is a headache for many telephone companies.

To solve the dilemma GPT developed a cabling system which can be laid on the bed of inland lakes or canals yet has the capacity to carry more than 60 fibres – as many as used in most local telephone networks.

The cable needed to be heavy enough to sink to the bottom of the inland waterway and light enough to be laid by the smaller lake or canal vessels – rather than the ships which lay trans-ocean cables.

The first of the GPT cables is being laid beneath Ullswater in the Lake District.

Anti-perspirant for a dry shake

HAVE you ever had the embarrassing problem of sweaty palms?

Cosmetic Consultants, of Bath, England, could have the answer. It has developed "Hands Dry", an anti-perspirant gel for that very niche market.

The unique ingredient in the recipe, which makes it different from off-the-shelf body anti-perspirants, is the drying agent.

Instead of forming a sticky coating, Hands Dry forms a smooth film over the skin to keep it dry.

Initially the product will be marketed as a sports aid – particularly useful for snooker or pool players. But in the Netherlands, where the product is already on sale, distributor Ecuri Cosmetics reports that it is proving particularly popular with the sweaty-palmed salesman.

Contacts: Hesco: UK, 0532 466633. Suntory: Japan, 03 470 1104. Philips: West Germany, 0911 526 4144. Hughes: US, 818 702 3618. Marquardt: US, 818 989 6967. GPT: UK, 0602 430300. Cosmetic Consultants: UK, 0225 444181. Ecuri Cosmetics: Netherlands, 10 418 8808.

Deal to end border checks on meat

By Tim Dickson in Brussels

A DEAL to abandon health checks on meat and meat products traded between European Community member states was agreed in Brussels by EC Farm Ministers last night.

The accord, which at British, Irish and Danish insistence is conditional on the ultimate eradication of animal diseases throughout the Community, represents a breakthrough in efforts to achieve a single market in this highly sensitive area.

Under the compromise plan put forward by the French Presidency of the EC and approved by all 12 member states, the aim will be by 1 January 1993 at the latest to replace veterinary controls at frontiers with checks carried out at the point where the meat was despatched and its final point of destination. Documentary controls on the origin of products would be permitted until 31 December 1992.

Mindful of British, Irish and Danish concerns that such a system could lead to imports of diseased meats, the Council also agreed that "the alignment of the animal health status in the Community shall be accelerated in particular in relation to eradication of foot and mouth disease and swine fever.

"In case the alignment has not been completed before the end of 1992, and taking into consideration the introduction of the rules applicable to imports and the movement of products imported from third countries, the Commission will submit appropriate proposals with a view to safeguard the existing animal health status."

Mr John Gummer, Britain's Minister of Agriculture, said last night that this was a crucial caveat which had enabled him to vote for the package. "We have now established absolutely that veterinary checks on all things are about health, not about impeding the single market."

The challenge for the Commission – quite apart from dealing with live animals which are not included in the scope of this directive – will now be to reach full agreement on an EC-wide programme for eradicating the three diseases: foot and mouth, classical swine fever and African swine fever.

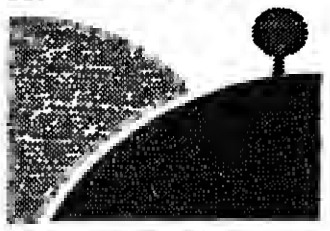
The Commission now accepts that the only way to do this is through the compulsory slaughter of infected herds – the practice followed in Britain, Ireland, Denmark and Greece – but the general practice in the rest of the Community remains vaccination. The fear of bodies like the National Farmers' Union is that the vested interests of the veterinary lobby in rural France may yet frustrate full agreement or full implementation of the programme.

The Farm Ministers were last night considering new Commission proposals for monitoring export refunds as part of the fight against agricultural fraud. The highlight of today's meeting will be the Commission's presentation of its detailed agricultural position paper for the final stages of the Uruguay Round of the General Agreement on Tariffs and Trade.

Europe's indigestible greenery

'Green' exchange rates are as unpopular as they are unfathomable

FARMER'S VIEWPOINT



By David Richardson

A BRIGHT young Member of Parliament was promoted from the back benches to be a junior agriculture minister. Almost immediately he was to be pitchforked into detailed negotiations of the Common Agricultural Policy and farm prices. Before he went to Brussels he decided he had better be briefed. The top Whitehall man on green currencies and monetary compensatory amounts was called to our hero's new office and the explanations began.

After many hours of concentrated tuition, as the new minister thought he was beginning to get a grasp of some of the complications, he asked his tutor, "how many UK farmers do you reckon actually understand all this?"

"Oh," said the civil servant, "about three I should think."

"Do you mean 3 per cent?" asked the minister.

"No," came the reply, "just three."

I do not claim to be one of those three. Indeed my eyes tend to glaze over when I am told of the 40 or so green rates spread across 12 different currencies within the EC that are used to convert farm support prices from European currency units to French francs, Deutsche marks, sterling or whatever and I try to concentrate on the result rather than the calculation.

In order to appreciate even that, however, it is necessary to understand the concept of green currencies, which is crucial to the operation of the Common Agricultural Policy.

Every spring the Council of Ministers negotiates support levels for farm commodities across the Community. The prices are set in Ecus and then converted into the currencies of the countries concerned.

But national currencies fluctuate (even when they are members of the European Monetary System), and to protect consumers in weak currency countries from automatic rises in food prices so-called "green" rates of exchange are used, which do not follow the foreign exchange markets.

This green currency system itself would have a distorting effect on intra-community trade were it not for the "monetary compensatory amount" mechanism, which compensates for varying gaps between "green" rates and real rates. An exporter of farm products from a weak currency country like the UK to, for example, West Germany, where the real currency is above the green rate, is charged an MCA levy. Conversely, a German exporting to Britain receives an MCA "restitution".

In the absence of any automatic adjustment to green currency rates, changes in their levels must result from political decisions in which the interests of farmers have to be balanced against those of consumers. Thus, in the past few months, while sterling's value has fallen, the green currency system has held UK support prices down and pushed up MCA levies on British exports.

Meanwhile inflation and bank interest rates in Britain, both much higher than in most of our main competitor countries in the EC, have pushed up input costs and left UK farmers at a serious disadvantage.

The green pound gaps vary by commodity because of different rates of dismantlement of the system but they nevertheless represent the amounts by which UK farmers feel they are disadvantaged. Last week they averaged 17.2 per cent for arable products, 12.6 per cent for beef, 8.7 per cent for pigmeat, 17.2 per cent for poultry meat, 16.3 per cent for dairy produce and 22.4 per cent for sheep.

It came as no surprise last week therefore when Sir Simon Gourlay, president of the National Farmers' Union, demanded a substantial across-the-board devaluation of the green pound to remove at least part of this penalty.

Mr John Gummer, Britain's Minister of Agriculture refused even to discuss the possibility publicly. He was doubtless aware, however, that his predecessor at Whitehall, Mr John MacGregor, had attempted to halve the green pound gap last April, in preparation for their total abolition and monetary union in 1992. Since then sterling has depreciated from DM3.18 to DM2.95 and the green gaps have grown even wider than they were in spring.

The result is that UK farmers receive less for most of what they produce than almost any others in the Community. Industry borrowing has risen to a new high of around of £7bn, which is about half annual turnover, and interest charges account for 40 per cent of gross farm income.

Investment by farmers in new plant and equipment has fallen by almost 50 per cent over the last five years in comparison with a decline in France and Germany of a more modest 20 per cent. The inescapable conclusion must be that the efficiency of British agriculture is declining compared with our continental competitors.

So much for the "Common" Market. So much for the "level playing-field" Mrs Thatcher and her ministers insist on before Britain joins the EMS.

The reply from the Government will almost certainly refer to a predicted small rise in farm incomes this year, largely as a result of favourable weather and good crops. That may be the case, but any improvement will be from a very depressed level. The NFU points out that average farm income in 1988 was 52 per cent of the average of the last 15 years in real terms, while expectations for 1989 are that income will be no more than 60 per cent of the 15-year average.

And although ministers might be reluctant to admit as much, the trend of opinion polls and the relative unpopularity of the Prime Minister, together with the fight against inflation, are bound to make them jib at taking any action which would put up food prices.

Once again, however, the size of any increase in the RPI as a result of a green pound devaluation should be put into perspective. A 10 per cent devaluation of the green pound across the board would raise consumer prices by less than 1 per cent.

That same act however would increase UK commodity support prices by £600m and help to persuade British farmers that the Government is not totally complacent about the sorry state of their industry, as Sir Simon Gourlay alleged last week.

EC food 'mountain' cut down to size

By Tim Dickson

THE VALUE of agricultural stocks in European Community intervention stores has fallen by almost a third, from Ecu4.66bn (£3.4bn) to Ecu1.6bn in the 12 months to September.

Several factors are cited by the Commission for the sizeable fall, notably the impact of new accounting policies, a significant reduction in the amount of beef in EC stores, and a "more dynamic" export policy for cereals, milk products and olive oil.

Set beside the Ecu10.57bn valuation of stocks in September 1987 the latest figure to some extent reflects the recent reforms to the Common Agricultural Policy.

A major element, however, is the change in accounting practice, notably the decision taken last year to depreciate surplus foodstuffs after they are taken into storage. This acknowledges the difference between the high guaranteed price paid to Community producers and the lower price obtainable for the same goods on world markets.

The latest Brussels figures, for example, show that the total volume of cereals in intervention stores at end September 1988 amounted to 10.9m tonnes, against 8.96m tonnes a year later, while the value of the same stocks had almost halved over the period from Ecu1.5bn. to Ecu867m.

The quantity of beef in storage fell from 723,000 tonnes to just over 150,000 tonnes, contributing to a fall in its value from almost Ecu1.6bn to about Ecu246m.

Stocks of butter – put at more than 1m tonnes in September 1987 and valued at Ecu3.5bn at the time – had come down to 221,000 tonnes and Ecu584m a year later. This September's figures were just 32,000 tonnes and Ecu74.5m.

Lead poisoning claim rejected

A DUTCH court has rejected a summary claim for initial damages against Alfred C. Toepfer International, the West German importer of lead-tainted rice bran that poisoned thousands of Dutch and British cows, reports Reuter from Amsterdam. The Fl7m (£2.2m) claim was brought by Rovegrha, which processed the bran.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium	+10,425	to 53,350
Copper	−1,125	to 115,875
Lead	+1,525	to 23,125
Nickel	−782	to 2,558
Zinc	+4,675	to 86,025
Tin	+200	to 8,565

Indonesia and Australia come to terms on Timor Gap oil

By John Murray Brown in Jakarta

INDONESIA AND Australia yesterday signed an agreement on the joint development of the oil-rich Timor Gap, the disputed sea region between Timor Island and Australia's Northern Territory. The agreement signed by the two countries' Foreign Ministers – Mr Ali Alatas and Mr Gareth Evans – opens the way for oil and other mineral exploration while talks continue to settle the border dispute.

The accord establishes three development zones, one administered by Indonesia, one by Australia and the third to be developed jointly. Australia will receive 10 per cent of the tax receipts from the Indonesian zone, and in turn will provide 16 per cent of the Net Resources Rent from its own zone. Revenues from the joint zone will be shared 50:50, using Indonesia's production sharing contract terms.

The 250 km Timor Gap, which forms the missing section of a maritime boundary agreed in 1972, contains the so-called Kelp area – a huge dome-shaped jurassic rock structure where reserves have been estimated as high as 5bn barrels, which would make it one of the world's two dozen biggest oil fields.

Indonesian officials, however, are anxious to play down its potential. A ministerial report states that "results of the exploration up to the present cannot be considered successful because only a few indications of gas and condensate in small quantities have been found, and are therefore not economical."

Indonesia's zone is also in deep water, making development that much more expensive. The main interest is expected to come from companies operating from Australia, where the tax regime is considerably more liberal. Even using more conservative estimates in terms of Australia's overall reserves the Timor Gap could prove a major development.

BHP – Australia's largest company – is lifting around 42,000 barrels a day from four wells in the nearby Jabiru field, 200 km south of the disputed area, where reserves are estimated at 100m barrels. Australian officials expect contract bidding on the disputed zone to start in 1991.

Specialists lose grip on coal trade

By Maurice Samuelson

THE GROWING international trade in coal is overwhelmingly in the hands of companies for which coal mining is only a secondary activity, according to a study of 90 companies in the non-Communist world.

The study, by Sheffield Energy & Resources Information Services, compares this with the situation 25 years ago when nearly all coal was produced and sold by specialised coal companies.

Of the 90 companies covered, only 18 are dedicated coal companies which depend on coal sales for at least 90 per cent of their revenue and only four more realise more than half their revenue from coal.

The study finds that the international trade is dominated by diversified energy corporations, metal mining and processing companies and highly diversified companies the principal activities of which are in manufacturing, services and farming.

These companies together account for 80.3 per cent of the coal exports identified in the study and at least two thirds of the total coal trade outside the Communist world.

British Coal, Exxon and Peabody have the biggest coal reserves. In the case of Exxon, coal reserves are equal to 4.5bn tonnes of oil, about four times its net proven oil reserves. In terms of production, British Coal is second only in size to Coal India.

Last year, BHP of Australia, with 20.6m tonnes, exported more than any other company in the world. Shell and Du Pont (owner of Consolidated Coal in the US) occupied second and third places with 15.4m and 12.7m tonnes respectively.

BHP also showed the biggest increase in coal exports between 1985 and 1988.

Coal Companies Worldwide: Competition and Performance Indicators. SERIS, 103 Carter Knowle Road, Sheffield S7 2DY. £295.

Brazil seen stalling coffee pact progress

By David Blackwell

COFFEE MARKETS will have to wait until the political situation in Brazil has settled down after March next year before any visible progress is made towards a revived export quota system, according to E.D. & F. Man, the London trader.

By the time the transition from one government to another has been completed, the availability of coffee from the world's biggest producer will also be clearer, says Man in its latest coffee market report.

Little progress has been made recently in spite of major meetings of producers in Costa Rica, Kampala and Bali.

"The limited impact of these events on coffee prices can be attributed to the cynicism of the trade over any real progress on fundamental differences so that whilst talks began in a triumphant appeal to producer solidarity, they ended in a somewhat defeated 'cordial disagreement' over the future of the ICA," says Man.

Roasters are expected to continue their policy of hand-to-mouth buying through the winter roasting period.

However, Man expects political lobbying to continue in the US "and any new initiatives will be watched closely by other member consumers. The political will is thus evident now, but practically we are still far from plans for a reintroduction of quotas."

Meanwhile, the EC, at the end of the Strasbourg summit on Saturday, called for negotiations on a new coffee pact to start as soon as possible. The leaders' statement said that everything should be done to help the fight against drugs by Colombia and other countries.

"The European Council reaffirms in this connection the need for negotiations within the International Coffee Organisation with a view to concluding a new agreement to be resumed as soon as possible to ensure income for the producers in those countries," the statement said.

Tomorrow in Washington the first meeting takes place of the Coffee Consumers Caucus – a consumer group formed to keep an eye on US policies affecting key world producers and the international agreement.

The founders believe the US coffee market is governed by the commercial interests of a few coffee roasters interested in getting coffee at the lowest price. They also criticise the relationship between US coffee policy and other policies, such as the war against drugs.

"How can the Bush Administration pledge $65m in financial help to Colombia's struggle against illegal drugs while allowing its earnings from coffee exports to shrink by $400m?" asked one last week.

WORLD COMMODITIES PRICES

LONDON MARKETS

GAS OIL prices on the IPE continued their surge on the back of cold weather and low water levels in the Rhine. Oil prices were also well ahead. On the bullion market gold advanced strongly – more on the back of better sentiment than on any specific outside factors, dealers said. A test of last month's peak of $421 is expected soon. "The market is largely feeding on itself," one dealer said. On the LME copper prices weakened again, ignoring the small drawdown in stocks in LME warehouses. The market is now testing the sensitive dollar support base around $2,360, the breach of which would indicate a decline to $2,310, analysts said. A rise of more than 10,000 tonnes in LME aluminium stocks and bearish charts took cash aluminium below $1,600 a tonne. Lead prices fell on trade selling and liquidation after last week's surge.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.85-7.00z	+.25
Brent Blend	$19.45-9.50z	+.375
W.T.I. (1 pm est)	$20.77-0.80z	+.45
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	
Gas Oil	$223-224	+5
Heavy Fuel Oil	$117-119	+4
Naphtha	$174-175	+5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$416.75	+6.50
Silver (per troy oz)♣	573c	+0
Platinum (per troy oz)	$506.90	+3.65
Palladium (per troy oz)	$140.45	-.05
Aluminium (free market)	$1605	-80
Copper (US Producer)	109⅝-112c	
Lead (US Producer)	39.5c	
Nickel (free market)	400c	-5
Tin (Kuala Lumpur market)	17.79r	+.00
Tin (New York)	312c	+4
Zinc (US Prime Western)	73¼c	
Cattle (live weight)†	118.84p	+1.66*
Sheep (dead weight)†	209.45p	+1.96*
Pigs (live weight)†	85.57p	-4.60*
London daily sugar (raw)	$303.0x	-1.8
London daily sugar (white)	$376.5x	-2.0
Tate and Lyle export price	£325.0	-1.5
Barley (English feed)	£116.5	+.5
Maize (US No. 3 yellow)	£128.5	-.5
Wheat (US Dark Northern)	£129.25	
Rubber (spot)♥	65.25p	-.25
Rubber (Jan)♥	67.75p	-.25
Rubber (Feb)♥	68.75p	-.25
Rubber (KL RSS No 1 Jan)	225.0m	-.5
Coconut oil (Philippines)§	$417.5x	-2.5
Palm Oil (Malaysian)§	$285.0	-2.5
Copra (Philippines)§	$280	
Soyabeans (US)	£170.5	+1.5
Cotton "A" index	78.16c	-.60
Wooltops (64s Super)	576p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	670	684	670 660
Mar	662	652	656 651
May	665	663	668 662
Jul	677	677	680 676
Sep	692	693	696 682
Dec	716	717	720 715
Mar	735	736	740 735

Turnover: 1014 (3071) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 11 764.87 (758.88):10 day average for Dec 12 756.31 (754.87)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	667	664	670 665
Mar	671	661	673 665
May	684	677	684 678
Jul	699	690	699 694
Sep	715	706	716 712
Nov	735	728	735 731
Jan	755	746	755 753

Turnover: 2922 (2960) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 8: Comp. daily 01.66 (61.02). 15 day average 61.28 (61.39)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	300.20	302.20	303.80 299.80
May	300.40	302.40	304.00 300.00
Aug	298.00	301.20	302.20 298.00
Oct	291.00	292.80	294.00 291.00
Dec	288.00	290.40	288.00 288.00
Mar	277.00	277.00	280.20 277.00
White	**Close**	**Previous**	**High/Low**
Mar	372.00	375.00	375.00 371.00
May	378.00	381.00	380.50 377.50
Aug	386.00	388.50	388.00 384.00
Oct	359.00	361.50	361.00 359.00
Dec	347.50	349.00	349.00 347.50
Mar	347.50	349.00	348.00 346.90

Turnover: Raw 1947 (1345) lots of 50 tonnes. White 1157 (326)
Paris- White (FFr per tonne): Mar 2245, May 2290, Aug 2350, Oct 2190, Dec 2125, Mar 2125.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Feb	10.12	18.65	19.15 19.00
Mar	18.86	18.60	18.88 18.79
Apr	18.67	18.35	18.67 18.62
IPE Index	19.12	10.32	19.12 19.12

Turnover: 6705 (8508)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	213.75	203.75	214.80 207.00
Feb	198.00	191.50	198.50 194.50
Mar	185.00	178.25	186.00 181.00
Apr	172.75	169.00	173.50 171.00
May	168.00	165.25	168.50 165.00
Jun	163.00	159.00	163.50 163.00

Turnover 7036 (13251)lots of 100 tonnes

TEA

A total of 24,389 packages was catalogued including 5,600 offshore, reports the Tea Brokers' Association. Assams showed advances of 5p to 15p per kilo. Bangladesh teas proved irregular but were mostly dearer where changed. Africans were well supported with bright liquoring sorts and better mediums often 5p to 8p dearer. Ceylons met strong demand at generally higher levels. In the offshore auction the fob offerings sold very readily while teas catalogued CIF saw improved competition at firm to dearer rates. Quotations: quality 200p nominal (200p), medium 165p (160p), low medium 128p (128p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 44,825 tonne
Cash	1594-6	1654-6	1607	1607-8		
3 months	1602-3	1657-8	1650/1602	1617-9	1608-5	34,100 lots
Copper, Grade A (£ per tonne)						Ring turnover 28,975 tonne
Cash	1493-5	1016-8	1515	1512-3		
3 months	1514-5	1528-9	1536/1014	1526-7	1516-7	75,405 lots
Lead (£ per tonne)						Ring turnover 10,325 tonne
Cash	448-9	463-4	460	458-9		
3 months	435-7	445-6.5	445/428	444-5	429-31	11,369 lots
Nickel ($ per tonne)						Ring turnover 1,162 tonne
Cash	8600-900	8750-800	8750/8700	8650-700		
3 months	0175-200	8195-200	8250/8150	8150-200	8150-200	7,624 lots
Tin ($ per tonne)						Ring turnover 870 tonne
Cash	6775-800	6680-700	6705	6710-20		
3 months	6875-90	6786-90	6875/6810	6815-25	6835-40	5,710 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,975 tonne
Cash	1490-500	1510-5	1505/1500	1469-500		
3 months	1385-400	1405-10	1400/1375	1395-400	1400-4	16,498 lots
Zinc ($ per tonne)						Ring turnover 4,750 tonne
Cash	1460-80	1480-90		1450-70		
3 months	1370-80	1390-400		1360-80	1370-80	1,787 lots

LME Closing £/$ rate:
SPOT: 1.5855 3 months: 1.5640 0 months: 1.5380 9 months: 1.5172

POTATOES – IPE £/tonne

	Close	Previous	High/Low
Apr	211.0	210.9	211.0 210.5
May	236.0	235.4	
Nov	110.0	120.0	

Turnover 35 (136) lots of 40 tonnes.

SOYABEAN MEAL – IPE £/tonne

	Close	Previous	High/Low
Feb	141.50	143.00	141.50
Apr	141.30	142.50	141.30
Jun	139.00	139.50	139.00

Turnover 62 (72) lots of 20 tonnes.

FREIGHT FUTURES – IPE $10/index point

	Close	Previous	High/Low
Dec	1607	1609	1605 1603
Jan	1644	1641	1644 1641
Apr	1656	1656	1657 1653
Jul	1403	1395	
BFI	1603	1605	1603

Turnover 85 (147)

GRAINS – IPE £/tonne

Wheat	Close	Previous	High/Low
Jan	113.50	113.80	113.75 113.60
Mar	116.70	116.90	116.90 116.70
May	120.15	120.35	120.35 120.10
Jun	121.55	121.90	121.80 121.75
Sep	106.16	106.15	106.10

Barley	Close	Previous	High/Low
Jan	112.10	111.90	112.15 112.10
Mar	113.75	113.75	113.80 113.75
May	116.25	115.00	115.25 115.20
Sep	103.25	103.25	103.25

Turnover: Wheat 253 (92), Barley 123 (139). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	109.0	109.0	
Apr	109.0	109.8	109.0
Jun	110.5	110.3	110.5
Aug	109.0	110.0	

Turnover 24 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	410½-417	262¼-262¾
Opening	412¾-413¼	261-261½
Morning fix	414.00	261.364
Afternoon fix	416.50	261.403
Day's high	415¾-417¼	
Day's low	412¼-413¼	

Coins	$ price	£ equivalent
Mapleleaf	424-429	267-270
Britannia	424-429	267-270
US Eagle	424-429	267-270
Angel	424½-429½	267½-270½
Krugerrand	414-417	260¾-262¾
New Sov.	96-98	60½-61½
Old Sov.	96-98	60½-61½
Noble Plat	513.00-521.10	323.65-326.75

Silver fix	p/fine oz	US cts equiv
Spot	357.25	565.90
5 months	370.30	577.55
0 months	383.60	596.05
12 months	408.80	611.80

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1500	107	121	2	21
1600	32	60	28	68
1700	4	25	97	120
Copper (Grade A)	**Calls**		**Puts**	
2300	101	131	18	66
2400	42	81	59	114
2500	24	62	90	144
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
600	66	78		8
650	18	44	3	24
700	1	24	35	54
Cocoa	**Mar**	**May**	**Mar**	**May**
600	65	81	14	19
650	35	51	34	39
700	17	29	65	67
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1800	117	104	3	15
1850	80	71	11	35
1900	42	44	28	58

US MARKETS

IN THE METALS, gold futures had the most active session as prices peaked at 417.80 basis December, reports Drexel Burnham Lambert. Technical buying firmed the market after prices rose above resistance at 410. Silver was up slightly following gold's strong performance. Platinum and copper were both quiet. In the softs, sugar featured sideways trading before closing slightly lower. Cocoa was higher due to some fund short covering. Speculative and roaster buying lifted coffee. The March contract rose 1.70 to close at 78.46. The livestocks had another limit down move in the pork bellies. Live hogs were weighed down by the lower bellies.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	416.8	411.8	418.0	413.5
Jan	419.3	414.4	418.0	418.0
Feb	421.8	416.8	423.9	417.8
Apr	426.9	421.8	429.1	423.0
Jun	432.0	426.8	434.0	428.1
Aug	436.8	431.5	438.3	437.0
Oct	441.9	436.5	0	0
Dec	447.1	441.7	449.0	442.5
Feb	452.5	447.0	452.3	452.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	511.2	541.7	012.0	512.0
Jan	515.2	509.7	517.8	511.8
Apr	519.2	514.3	521.5	515.5
Jul	524.0	519.3	527.0	521.0
Oct	530.0	525.5	532.0	530.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	569.2	564.4	574.0	565.0
Jan	572.3	567.8	0	0
Feb	576.0	571.5	0	0
Mar	580.5	576.0	585.0	576.1
May	588.6	584.1	594.0	585.0
Jul	596.6	592.2	601.5	593.0
Sep	605.1	600.5	610.0	606.0
Dec	617.8	612.8	622.5	614.5
Jan	621.1	616.4	0	0
Mar	629.7	624.8	634.0	634.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	105.70	106.05	106.00	.40
Jan	104.50	105.05	104.70	104.10
Feb	103.90	104.65	103.90	103.40
Mar	103.70	103.85	104.10	102.50
Apr	103.25	103.35	0	0
May	102.90	102.85	102.80	102.00
Jun	102.55	102.45	0	0
Jul	102.10	101.95	102.10	101.40
Aug	101.70	101.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 11	Dec 8	mnth ago	yr ago
1806.5	1808.3	1889.9	1800.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 8	Dec 7	mnth ago	yr ago
Spot	127.08	127.32	130.33	137.19
Futures	129.39	128.59	131.13	141.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	20.81	20.48	20.82	20.53
Feb	20.59	20.32	20.60	20.39
Mar	20.41	20.17	20.41	20.24
Apr	20.20	19.98	20.20	20.05
May	20.05	19.82	20.05	19.87
Jul	19.75	19.50	19.74	19.80
Sep	10.41	19.21	19.41	19.33

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	6795	6637	6805	6725
Feb	6515	6433	6560	6460
Mar	6060	6022	6110	6040
Apr	5675	5662	5705	5625
May	5430	5382	5440	5410
Jan	5290	5234	5300	5230
Jul	5250	5174	5250	5225

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	974	982	984	973
Mar	948	948	949	933
May	957	950	957	940
Jul	970	965	970	965
Sep	988	981	988	975
Dec	1009	1003	1005	1002
Mar	1025	1022	1010	1010
May	1039	1035	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	75.05	74.75	HIGH	74.90
Mar	78.87	78.46	75.75	78.80
May	80.95	80.50	79.40	80.70
Jul	83.16	82.60	81.30	83.00
Sep	85.38	85.00	83.40	85.00
Dec	88.20	88.00	85.70	86.00
Mar	90.00	89.63	88.75	0
May	91.00	92.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.75	13.80	0	0
Mar	13.69	13.71	16.75	13.56
May	13.58	13.66	13.73	13.56
Jul	13.46	13.57	13.62	13.44
Oct	13.07	13.17	13.23	13.07
Mar	12.60	12.60	12.75	12.60

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	67.77	68.18	68.17	67.05
May	68.55	67.00	68.90	67.80
Jul	68.40	68.93	68.80	67.75
Oct	65.21	64.18	65.44	64.90
Dec	63.85	63.27	64.60	63.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	131.30	127.56	131.80	128.40
Mar	131.25	128.15	131.50	129.70
May	130.50	128.00	132.00	129.50
Jul	129.00	128.70	130.95	128.50
Sep	129.00	128.45	129.00	129.00
Nov	128.00	128.15	0	0
Jan	125.00	124.80	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	579/0	579/0	586/0	578/4
Mar	592/2	592/0	598/0	592/0
May	603/4	602/6	610/0	603/0
Jul	613/0	611/0	618/6	612/4
Aug	613/2	613/2	620/0	612/4
Sep	608/4	606/0	614/0	609/0
Nov	612/2	610/6	616/6	011/4
Jan	622/4	622/0	626/4	622/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.97	19.03	19.28	18.95
Jan	19.11	19.19	19.43	19.11
Mar	19.56	19.63	19.87	19.56
May	19.97	20.03	20.28	19.96
Jul	20.25	20.20	20.62	20.25
Aug	20.28	20.17	20.55	20.26
Sep	20.30	20.17	20.60	20.32
Oct	20.32	20.20	20.65	20.32

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	180.6	179.7	182.0	180.0
Jan	180.7	180.0	182.5	180.4
Mar	181.7	180.9	183.3	181.0
May	182.2	181.9	183.5	181.8
Jul	183.2	183.0	184.7	183.0
Aug	183.5	183.8	185.5	183.5
Sep	184.5	184.6	186.0	184.5
Oct	184.2	183.7	185.6	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	235/0	236/2	237/6	234/6
Mar	240/0	240/6	242/0	239/6
May	244/4	245/0	246/4	244/0
Jul	247/4	247/6	249/6	247/2
Sep	243/0	242/4	245/4	243/0
Dec	248/0	241/2	244/4	241/2
Mar	250/0	248/2	251/0	249/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	413/4	410/2	415/4	410/4
Mar	413/4	409/6	415/0	411/0
May	389/4	386/6	391/4	387/2
Jul	368/4	356/6	361/0	357/0
Sep	363/0	361/4	366/0	362/4
Dec	374/0	372/0	376/0	373/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	76.72	75.55	76.77	75.95
Feb	75.07	74.20	75.17	74.70
Apr	74.37	73.77	74.45	74.02
Jun	71.72	71.27	71.80	71.52
Aug	70.40	69.90	70.47	70.10
Oct	70.42	69.85	70.55	70.15

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	01.10	50.82	51.90	50.57
Feb	48.60	48.15	48.80	47.75
Apr	44.57	44.42	44.90	43.65
Jun	47.90	47.82	48.20	46.90
Jul	48.42	48.47	48.72	47.45
Aug	47.40	47.42	47.50	46.50
Oct	43.52	43.80	44.00	43.52
Dec	45.52	45.45	45.55	45.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.45	52.45	52.20	50.45
Mar	49.90	01.90	51.85	49.90
May	50.22	61.90	52.25	49.90
Jul	50.07	51.20	51.57	49.85
Aug	48.25	49.25	49.75	48.25
Feb	56.97	57.97	55.97	55.97
Mar	56.00	58.00	0	56.00

LONDON STOCK EXCHANGE

Prices mark time in thin trading

A UK stock market poised for the start of dealings in the £5.24bn water privatisation issues was taking no chances yesterday, and share prices were content to mark time against a background of thin trading. The news of an unexpectedly sharp setback in retail sales last month did little more than confirm the fears of a drab Christmas for retailers.

The Footsie Index was in negative territory throughout, and a determined rally from the early fall of 15 points was stifled in late dealings by a poor opening on Wall Street. Analysts were quick to point out that London has been ignoring New York recently,

Account Dealing Dates

*First Dealings:		
Nov 27	Dec 11	Dec 27
Option Declarations:		
Dec 7	Dec 27	Jan 11
Last Dealings:		
Dec 8	Dec 28	Jan 12
Account Day:		
Dec 18	Jan 8	Jan 22

*New time dealings may take place from 9.00 am two business days earlier

and that yesterday's late setback reflected little more than London's lack of direction.

At its final reading, the FT-SE Index was 12.1 down at 2,351.4. Seaq volume at 349.5m shares against 480.1m previously showed a return to the poor turnover which has plagued the equity market.

The market opened singgishly yesterday as it faced the first day of the Christmas trading account. A number of leading stocks were traded ex-dividend, adding inevitably to the depression in share prices and to the generally unprepossessing picture in early trading.

The news that UK retail sales fell by 0.8 per cent in November, contrasting with equity market forecasts of a small gain, completed the market's tale of woe, although there was little selling pressure even among the consumer stocks. The other statistical news of the day – a 0.4 per cent rise on the month in input producer prices and a 0.2 per cent gain in output prices – had little effect on share levels.

Store shares were marked easier as sector analysts repeated their warnings of a gloomy outlook for the Christmas season, the major sales period for the big store groups. However, sentiment was helped by good trading results from Scottish & Newcastle, the brewing and hotel company.

In the banking sector, which has been regarded as a significant defensive area by investors bracing themselves for a difficult 1990, takeover activity continned. Speculators in Kleinwort Benson, however, were caught out when Dresdener Bank rejected recent hints that it might be interested in acquiring a merchant bank.

The water privatisation issues do not start trading until 9.00am this morning, an hour or so after the rest of the equity sector opens for business.

Equity analysts see the new stocks as offering above average dividend growth over the next two years, together with a highly attractive level of dividend security. Initial yields of between 6.8 per cent and 8.2 per cent were predicted by marketmakers yesterday, with the Northumbrian issue regarded as offering the brightest prospects for outperforming from its offer price.

FINANCIAL TIMES STOCK INDICES

	Dec 11	Dec 8	Dec 7	Dec 6	Dec 5	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.62	83.14	83.02	82.98	83.02	86.79	89.29 (8/2)	82.93 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.13	92.02	92.27	92.17	92.40	96.85	99.59 (15/3)	92.02 (8/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1851.8	1862.0	1880.9	1859.9	1836.8	1422.4	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	312.8	300.5	297.3	286.7	288.7	174.6	312.8 (11/12)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2351.4	2363.5	2346.7	2353.7	2327.5	1747.9	2428.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)

Ord. Div. Yield	4.59	4.58	4.61	4.58	4.63	5.15
Earning Yld %(full)	11.19	11.16	11.23	11.12	11.24	13.02
P/E Ratio(Net)(x)	10.82	10.85	10.78	10.89	10.77	9.26
SEAQ Bargains(6pm)	23,426	30,413	26,822	27,894	27,026	21,833
Equity Turnover(£m)†	-	926.00	997.31	947.22	894.35	929.44
Equity Bargains†	-	32,395	30,674	27,924	28,019	23,559
Shares Traded (ml)†	-	427.7	419.1	395.7	390.9	391.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ NIL 10.75

Ordinary Share Index, Hourly changes — Day's High 1858.2 — Day's Low 1848.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1851.4	1852.5	1852.4	1857.0	1857.8	1857.2	1854.7	1851.8

FT-SE, Hourly changes — Day's High 2359.3 — Day's Low 2348.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2352.1	2353.5	2351.4	2357.3	2359.0	2358.3	2355.8	2352.4

GILT EDGED ACTIVITY

Indices*	Dec 8	Dec 1
Gilt Edged Bargains	84.9	74.2
5-Day average	83.4	81.0

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	249	252	−2
ABBA Group	5,168	108	−6
Abbey National	3,800	196	+5
Allied-Lyons	888	484	−2½
Amstrad	10,000	49	+6
Argyll Group	3,000	220	−7
Asd. Brit. Foods	507	422	−4
BAA	384	382	+1
BAT Inds.	1,600	828	−1
BET	298	277	
BICC	605	475	+1
BOC	814	336	−3
BPB Inds.	121	230	
BTR	1,300	466	+8
Barclays	1,400	544	+2
Bass	326	1038	−11
Beecham	254	785	−1
Berisford Int.	604	149	
Blue Arrow	135	84	−½
Blue Circle	1,300	257	−5
Boots	1,108	388	−6
Bret. & Comm.	5,300	66	−1
Brit. Aerospace	4,460	573	+16
British Airways	1,075	288	−1
British Gas	3,808	224½	−1
British Land	492	369	−8
BP	5,100	329	−3½
British Steel	2,900	128¼	−1
British Telecom	8,000	284½	−1
Brunel	1,000	165	−1
Burmah Oil	65	800	+5
Burton	648	185	−3
Cable & Wire.	607	514	+2
Cadbury	1,100	462	+5
Calor Group	147	433	+4
Carlton Comms.	997	862	−17
Coats Vyella	118	140	−1
Comm. Union	702	482	+1
Coolkore	168	371	−1
Courtaulds	350	368	+1
Dalgety	168	384	−1
Distillers	888	196	−8
Eng. China Clays	482	438	+6
Enterprise Oil	303	448	−12
FKI	862	83	
Ferranti	414	41	
Fisons	1,100	385	−4
Gen. Accident	183	1187	−8
General Elect.	1,800	222	+1
Glaxo	2,300	791	+4
Glynwed Int.	83	198	−1
Grand Met.	159	248	
Guinness	397	315	+1
GKN	1,800	558	+1
GUS A	128	1101	−2
GRE	1,300	247	+1
Hanson	384	498	+4
Hanson Warrants	894	84	−3
Harrisons Cros.	27	87	−7
Hawker Sidd	4,400	223½	−1
Hillsdown	540	54	
IBI	114	152	
ICI	1,100	1124	−3
Imp. Chem. Ind.	238	394	−1
Jaguar	59	846	+5
Kingfisher	1,000	387	+1
Ladbroke	1,000	316	−3
Land Securities	374	516	−6
Lasmo	114	475	+1
Legal & General	178	411	+2
Lloyds Abbey	124	289	
Lloyds Bank	275	433	+2
LASMO	114	576	−5
Lonrho	1,800	236	+4
Lucas	1,800	662	+3
MB Group	741	197	+1
MEPC	276	521	−8
Marks & Spencer	3,100	189	−5
Maxwell Comm.	68	235	+7
Mecca Leisure	357	183	−1
Midland Bank	2,300	373	+5
Nat'west Bank	2,000	336	−2
Next	411	81	
Northern Foods	438	313	
Pearl	98	698	−1
Pearson	257	708	−1
P & O	350	690	−1
Pilkington	1,800	236	−1
Reckitt & Colman	1,000	413	+2
Prudential	1,800	221	+1
RMC	363	418	−1
RHM	130	88	
RTZ	1,300	576	+5
Racal	1,800	230	
Racal Telecom	386	389	−1
Rank Org.	815	344	−12
Reckitt & Colman	88	703	+3
Redland	645	348	−10
Reed Int'l	780	426	−2
Reuters	488	1021	−18
Rolls Royce	2,900	172	−2
Rothmans	112	698	+2
Ryl Bk Scotland	1,800	200	
Royal Insurance	807	288	+2
STC	2,500	215	+13
Sainsbury	3,000	270	−4
Scottish & New.	849	338	−10
Scottish Power	862	184	−1½
Sedgwick	37	300	
Shell Transport	1,900	473	−4
Sears	173	65	−1
Slough Estates	884	330	−8
Smith (W.H.) A	285	330	−2
Smith & Nephew	2,000	130½	
SmKl Beecham	854	803	+1
SmKl Beecham Ex. Dis.	6	3888	−8
Sketchley Inds.	107	288	+2
Standard Chartd.	1,100	548	+12
Stenhouse	336	113	−2
Sun Alliance	868	322	+1
Sun Life	38	1048	+18
TI&N	234	188	−6
TI Group	35	424	−2
TSB	2,100	127	+1½
Tarmac	788	238	−1
Tate & Lyle	288	372	
Taylor Woodrow	639	386	+3
Tesco	3,600	198	−4
THORN EMI	434	783	+19½
Trafalgar House	1,300	371	+8½
Trusthouse Forte	750	288	
Unilever	600	358	−4
Utd Biscuits	93	339	
United Newspapers	38	473	−2
Wellcome	447	740	−1
Whitbread 'A'	2,400	384	−11
Williams Hldgs	375	248	−2
Willis Faber	188	278	+2
Wimpey	108	147	

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

BAe rise on PCN licence

The electronics/telecoms area of the market was shaken up during the late afternoon by surprise news that the British government has awarded three Personal Communication Network (PCN) licences, rather than the expected two. The names of the winning consortia also came as a surprise to dealers who quickly embarked on some shifts in share prices.

Apart from the Cable & Wireless consortium, which the government had already signalled as the recipient of one licenced, the winning consortia announced by the Department of Trade and Industry are the Unitel consortium, comprising STC, with 30 per cent, Thorn EMI, with 25 per cent and US West with 30 per cent. Deutsche Bundespost has the remaining 15 per cent. The other licence, and the big surprise according to dealers, goes to the British Aerospace/Pacific Telesis/Millicom/Sony consortium. BAe has a 35 per cent stake in this grouping.

Describing the award of three licences as "questionable," Mr Brian Newman at Henderson Crosthwaite said: "I anticipate intense competition between the three groups to win market share, with each consortium having to invest $1bn-plus in the business." He cautioned that the "competition in PCN will defer likely profitability of the competing groups" and saw "little or no profit before the year 2,000." Other analysts also took a cautious line on the awards, and said some of the strong gains in share price of the participants could well be premature.

STC were the brightest performer, adding 13 at 278p on 2.5m shares. Thorn EMI rallied from 778p to end the session a net 10½ higher at 788p ex-dividend. British Aerospace added 16 at 573p, on 4.4m, having been as low as 546p earlier in the day. Cable & Wireless closed 2 harder at 514p, ex-dividend.

Brighter Amstrad

A confident performance by Mr Alan Sugar, chairman of the troubled Amstrad group, at the company's annual meeting yesterday, coupled with a buy note by Mr Paul Norris of BZW, the investment bank, triggered a strong run by Amstrad. The shares, which touched 36p recently, down from a year's high of 193p, picked up throughout the session to close a net 5 higher at 43p with turnover expanding rapidly to 13m shares.

Mr Sugar said that sales for the first five months were up, and were eating nicely into stock. The 2000 series computers were said to be selling well. As one analyst put it: "The message on profits is not good, but the shifting of the stocks is very good news. Ms Judy Stewart at Kleinwort Benson said: "It's moving in the right direction; there now seems to be some light at the end of the tunnel."

Mr Norris said that the company had turned the corner; Amstrad's personal computers are selling fast enough to get the inventory down." He added that BZW had canvassed the retail trade, "and the message from them is that the PCs are selling."

The banking areas of the market included plenty of features. The merchant banks enjoyed strong gains and big turnover during the morning but the trend was reversed in the afternoon when a news agency carried a report suggesting that Dresdner Bank, mooted as a potential bidder for Kleinwort Benson, was looking to expand in the retail banking arena in the UK. Kleinwort shares, which ran up to 420p early in the day on further stories that Dresdner was building a stake, quickly fell away on the agency story, finally closing a net 2 down at 401p, after being as low as 396p. Dresdner is nowconfidently expected by dealers to attempt to buy the Yorkshire Bank in a joint move with Banque National de Paris.

The bid stories helped Hambros, regarded as a prime takeover target, move up to 295p before closing a net 2½ higher at 289p ex-dividend. There was substantial activity in Morgan Grenfell where James Capel, acting for Deutsche Bank, moved into the market bidding 550p cash for Morgan stock, and brought the Deutsche stake up to 44.6 per cent. Turnover in Morgan Grenfell totalled 44m shares, with the shares a fraction higher at 551p. Deutsche said it had bought 23m Morgan shares.

The clearers provided a firm feature in Midland which rose 8 to 373p helped by a stock shortage. Strong buying from UBS Phillips & Drew and Daiwa saw Abbey National move up 3 to a post-flotation record of 166p. Mr John Wriglesworth at UBS pointed to the "inherent balance sheet strength of Abbey which stabilises the group's earnings potential."

Mr Mike Fesemeyer at Daiwa says the current Abbey rating "reflects past mistakes of the banking sector and ignores the clean balance sheet, strong capital base and high quality management. We consider the stock merits a 40 to 50 per cent premium against the banks." Standard Chartered rose 12 to 545p on 1.1m.

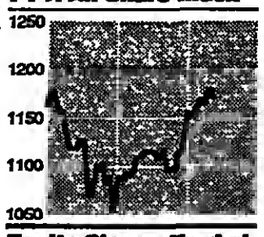
Business was very slow in the properties sector. Those who did deal were for the most part selling.

MEPC, which went xd, still dropped 8 to 521p, equivalent to the full gross value of the dividend.

Control Securities also went xd but climbed a penny and a half to close at 45p as a few buyers came into the market following a favourable comment in the Sunday press concerning the possibility that subsidiary Bellhaven Brewery might be spun off.

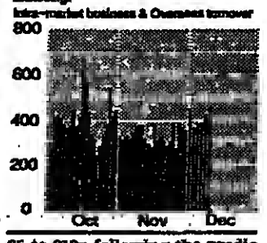
City Site also benefited from Sunday comment and climbed 25 to 213p following the prediction of an asset revaluation.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



The first-line stocks fell back with market, British Land continued to drift with the market falling 5 to 397p. Hammerson 'A' slid 7 to 827p. Land Securities lost 6 to 516p.

One market maker said that the whole sector was being pulled in two directions with technical influences tending to support the price. He said some fund managers may be indulging in "window dressing", dipping into the market to push up underperforming stocks, particularly the leaders in the property sector which have done badly against the market as a whole over the last 12 months, in order to boost their funds performance figures at the end of the year.

"It should not be too difficult for the second liners because nobody is trading there," the dealer said.

He added that some of the leading property stocks had bank loans which were tied to a minimum share price and he added that in some cases, prices were drifting back towards that minimum. This was provoking fears that some overseas banks might foreclose on their loans. He said he expected efforts to support the price of the stocks of threatened companies.

Full year figures at the bottom end of market expectations from Wolverhampton & Dudley, the Midlands-based brewer sent shares lower. Profits rose by 15 per cent to £30.6m and earnings per share from 26.9p to 31p. The shares fell 15 to close at 453p.

The retailing sector was given a double dose of buffeting, being unsettled by a profits downgrading of sector leader Marks and Spencer and news of a bigger than expected reduction in retail sales. During November sales were down 0.8 per cent on last year – "Good for the inflation rate and the balance of payments, but the last thing the battered retail sector needed," said one analyst.

Marks and Spencer shares slipped 5 to 199p on 3.1m after one of the top UK securities houses lowered its forecast of pre-tax profits for the year to end March 1990 by £10m to £580m. Marks is said to be suffering from a slowing of sales in food retailing, and there is growing concern about poor sales in the run up to Christmas.

There were stories that Goldman Sachs had cut their forecasts for Marks but Mr Philip Dorgan at Goldman, who visited Marks last week, said his was sticking with his forecasts of £595m for 1990 and £655m for 1991. But he is bearish on food retailing in general on the grounds that pre-Christmas trading is very poor and that there is a fair chance of a major price initiative among the UK food retailers.

Shares in Carlton Communications, the television and video services group, eased as the company released full year figures below market expectations.

Profits rose to £112.39m from £49.13 the previous year, though the market was expecting figures around the £114m mark. Several securities houses downgraded their 1990 profit forecasts following publication of the figures, among them SG Warburg which trimmed expectations from £182m to £175m on concerns over capital expenditure, depreciation and a higher tax charge.

However Mr Mark Loveland at SG Warburg said: "The underlying growth remains more than twice the market average. The PE relative (to the industrial index) is towards the low end of the range we expect for 1990 and the stock remains attractive to international investors and growth funds." The shares gave up 17 to 852p.

GEC, regarded by many as one of the most likely candidates for the PCN licences, were not hit by the news, closing a fraction ahead at 222p. Racal Electronic and Racal Telecom were little changed ahead of today's interim figures. For Electronics, the range of profits forecasts extends from £78m to £85m, compared with last time's £62.4m. County NatWest are going for £85m, Hoare Govett, for £78.5m and BZW for £82m. Greenwell Montagu has pencilled in £80m. For Telecoms, County and BZW expect £64m, against £30.6m, Hoare goes for £66m and Greenwell £60m.

A larger than expected increase in the dividend as the company reported full year figures slightly above market expectations yesterday, lifted English China Clays.

Profits rose by 3.6 per cent to £150.6m and earnings per share climbed by 2.5 per cent to 44.91p. The dividend rose 12 per cent to 19.6p. Mr Tony Williams at UBS Phillips & Drew said: "The increase in dividend shows the confidence the group has in the future." The shares gained 6 to 428p.

BTR rose with SG Warburg reported to have been the big shopper in the market. The shares added 8 to 468p.

Speculation that Sumitomo, the Japanese electrical and electronics group, had acquired a 20 per cent stake in Lucas, with which it announced a joint venture last week, sent Lucas shares racing ahead, as the company held its general meeting. The shares touched 644p before coming off the top in late afternoon as the talk faded. At the close, they were up 3 at 635p.

The news that IEP Securities controlled by Sir Ron Brierley, the New Zealand businessman, had raised its stake in Vickers to 15.67 per cent gave the shares a nudge forward. The shares closed up 2 at 207p.

Large buyers were also responsible for the rise in Western Motor. A market maker said: "People feel the stock is cheap at these levels." The shares gained 25 at 555p.

Dowty were wanted ahead of today's interim results. The shares added 4 to close at 238p. Rolls-Royce eased on the news that the the strike at its Hillington plant in Scotland called by the engineering trade unions in support of a 35 hour week was to continue. The shares gave up 2 to close at 172p, while a squeeze was said to have been the reason for the rise in GKN. The shares gained 4 to 419p.

A steadier pound had a generally helpful influence on the international stocks, but the chief feature was the notable lack of turnover also suffered elsewhere in equities.

The final picture was somewhat mixed, with ICI a few pence easier at 1128p, unimpressed by the further improvement in the sterling/DM rate. Analysts' assessment of last Friday's presentation by ICI is that the opportunities for profits growth at the pharmaceuticals side, which already accounts for one quarter of ICI group profits, will remain strong over the next two years.

Elsewhere among the pharmaceuticals, Glaxo (794p) moved higher although turnover at 2.3m shares was unexciting; hints that Glaxo had been the subject of a presentation to City analysts had little effect on share dealings.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (79)
BRITISH FUNDS (2) AMERICANS (2) BANKS (1) BUILDINGS (1) CHEMICALS (1) ELECTRICALS (3) FOODS (2) INDUSTRIALS (1) Alls-Level All 'B', INSURANCE (2)
NEWSPAPERS (1) SOUTH AFRICAN (1) TRUSTS (17) OILS (8) OVERSEAS TRADERS (2) MINES (29).
NEW LOWS (88).
BREWERS (1) BUILDINGS (2) ELECTRICALS (2) ENGINEERING (4) FOODS (1) INDUSTRIALS (12) Bridport-G., Courtney Pope, Cresta, Elecs, Ibex, MY Hldgs., Mocks & Crane, Scot. Heritable Tst., Select Apprmts., Tams (John), Young (F.L.), LEISURE (3) NEWSPAPERS (1) PAPERS (1) PROPERTY (2) TEXTILES (2) TRANSPORT (2) TRUSTS (4) OILS (2) THIRD MARKET (1).

APPOINTMENTS

Cambridge Electronic Industries group chief

■ CAMBRIDGE ELECTRONIC INDUSTRIES has appointed Mr Paul Lester as group chief executive from January 1. He succeeds Mr Richard King who is retiring but who will remain a director. Mr Lester joins from Dowty Defence and Air Systems where he was managing director.

■ MURRAY JOHNSTONE has appointed Mr Barclay Douglas to the board of Murray Johnstone Developments.

■ SMITH, ANDERSON & CO, Glenrothes, has appointed Mr David Verden Anderson as chairman and managing director, following the death of his brother Mr William Verden Anderson. Joining the board are Mr George Calnan, company secretary, and Mr James Watt, works manager.

■ Mr Simon Raymund has been appointed chairman of ROCK. Mr Gerard Lakmaker, managing director of the largest subsidiary Alax, becomes group managing director of Rock.

■ Mr John Learing has been appointed marketing director, HILL SAMUEL INVESTMENT SERVICES. He was controller marketing, TSB Trustcard.

■ VARITY CORPORATION has appointed Mr John F. Devaney as chairman and chief executive officer of its new subsidiary, the US-based K-H Corporation. He has directed North American operations since 1988, and was previously group vice president, components group, and managing director of Perkins Engines.

■ Mr Alan C.H. White has been appointed to the construction board of SIR ROBERT McALPINE & SONS from January 1. He was London region manager, and retains this post.

■ Mr Allan Speirs has been appointed a director of ADVENT, a venture capital company. He joins from 3i where he was director responsible for the group's UK hands-on investment division.

■ Mr Toby de Lotbiniere, chairman of CIBC Grenfell & Colegrave, has become chairman of CIBC INVESTMENT MANAGEMENT in London. Mr Trevor Cooke continues as managing director, and Mr Andrew Meiklejohn and Mr Alistair Patrick have been appointed to the board. The name of Grenfell & Colegrave is retained by the Canadian Imperial Bank of Commerce, Toronto, the parent company.

■ FEDERAL EXPRESS SYSTEMCARE has appointed Mr Kelvin Smith as financial controller.

■ Mr Philip Swinstead becomes executive chairman of SD-SCICON, and Mr Geoff Holmes and Mr Ian Scoggins become joint group chief executives on January 1.

■ ETAM has appointed as directors Mr J.K. Maynard and Mr R.C. Thomas.

■ NORTHERN TELECOM EUROPE, Maidenhead, has appointed Mr Robert Adams to the new post of vice president, business development. He was president, General Datacomm International Inc.

■ Mr David Brown, legal director, Ashley Group, has resigned to join property developer OLYMPIA & YORK.

■ HOENIG & CO, stockbrokers, has appointed Mr Robin A. Green as finance director.

■ Mr Michael Savory has been appointed senior investment executive at MIDLAND STOCKBROKERS, retail stockbroking arm of Midland Bank. He was senior partner of Foster & Braithwaite.

■ Ms Sarah Penrose has been appointed human resources and customer services director of WINDSOR CABLE TELEVISION.

■ Mr David Hadley has been appointed managing director of HORNETS NETWORK, part of Premier Metropolis Group. He joins from TNT.

■ Mr Peter Byrom has been appointed a non-executive director of T&N. He is an executiva director of N.M. Rothschild & Sons.

■ Mr Chris Wigg has been appointed financial director of SGB HOLDINGS, and Mr James Ward becomes financial director of SGB. Mr Ward was company secretary of John Mowlem & Co.

■ Mr Jim Cordea has been appointed managing director of A1 International, automotive division of HADLEIGH INDUSTRIES.

Norwest Holst makes changes

■ NORWEST HOLST CONSTRUCTION has made the following changes. Mr Andy Stoddart remains executive chairman, but is succeeded as managing director by Mr Mike Hayes. Mr Hayes is succeeded as managing director of the southern division by Mr Paul Ahearn. Mr John Connon becomes international division director on the main board. Mr Ian Kingsbury and Mr Martin Gates have been appointed southern division directors.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	56.20	56.77	60.33	+0.17	4.54
Gilts & Fixed Inc	6	106.20	106.20xd	112.70	+0.30	8.87
High Inc Equity	6	135.40	135.40	144.93	-0.08	4.38
Worldwide Bond	6	207.80	207.80xd	220.10	-0.10	4.82
Capital Growth						
American Growth	6	205.70	207.70	221.00	-0.50	0.86
Asian Pacific	6	120.30	122.50xd	130.40	-0.50	1.00
Assets & Earnings	6	156.00	156.80xd	167.00	+0.50	2.21
Capital Reserve Acc	0	88.14	88.14	88.19	+0.09	4.54
Capital Reserve Inc	0	78.22	78.22	78.27	+0.09	5.11
Cmdty & Energy	6	119.40	119.40	127.80	-0.60	1.09
Dividend & Growth	6	47.00	47.00	50.00	....	4.50
1992 Enterprise	6	62.21	63.49	67.55	+0.03	1.89
Euro Capital Acc	6	101.40	102.10	108.70	+0.10	0.69
Euro Capital Inc	6	97.76	98.51	104.80	+0.10	0.72
General	6	180.30	180.50	193.10	+1.40	2.59
International	6	61.12	61.93	65.89	+0.13	0.76
Japan	6	128.90	131.30	139.70	-0.80	0.00
Mastertrust	6	94.45	94.45	101.10	....	1.68
UK Growth Acc	6	178.70	178.70	191.20	+0.80	1.46
UK Growth Dist	6	118.00	118.00	126.30	+0.60	2.22
US Emerging Cos	6	55.71	57.27	60.93	+0.09	0.00
Income & Growth	6	306.80	306.80xd	328.20	+1.40	3.12
Ethical	6	46.86	46.06	50.12	-0.06	2.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

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OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or −	Yield Gross
Brown Shipley Fund Mngmt (CI) Ltd				
Sterling Bond(Daily)	£9.33	9.65xd	+0.04	10.36
Sterling Cap (Daily)	£29.68	29.69	+0.04	–
Intl. Bond (Daily)	$14.49	15.38	+0.04	8.39
Int Currency (Wkly)	£1.44	1.53	.....	7.04
Cater Allen Investment Management (CI)				
CA Gilt Income	£7.43	7.77	—	15.48
CA Gilt & Futures	109.10	116.00	—	6.92
CA Equity Growth	£13.78	14.92	—	2.68
Citibank (CI) Ltd "Citifunds"				
Liquidity Funds				
Deutschmark Dec 12	DM25.880		+0.007	–
Yen Dec 11	Y2624.422		+0.902	–
Sterling Dec 12	£9.475		+0.003	–
Swiss Franc Dec 12	SFr23.399		+0.010	–
US dollar Dec 12	$15.956		+0.002	–
Managed Dec 12	$15.946		+0.005	–
Short Term Investment Funds				
Irish £ Dec 7	92.578		+0.192	–
US $ Dec 7	$13.239		+0.021	–
Equity Funds				
Global Equity Dec 12	$16.281		−0.021	–
HK Equity Dec 11	$10.087	10.087	+0.025	–
Japan Equity Dec 7	$15.703		+0.230	–
European Equity Dec 11	$13.998		+0.422	–
US Em Mkts Dec 11	$11.857		+0.023	–
US Spec Sits Dec 11	$15.052		−0.048	–
US Em Tech Dec 11	$11.095		+0.240	–
Chicare Dec 11	$18.123		+0.036	–
Bond Funds				
Global Bond Dec 11	$13.244		−0.034	–
GNMA Bond Dec 12	$11.775	11.785	+0.019	–
HYB (A) Dec 11	$8864.094		[illegible]	–
EBC Trust Company (Jersey) Ltd				
EBC Amro Traded Currency Fund Ltd*				
Income	$13.54	13.966	+0.020	6.42
Capital	$20.29	20.909	+0.031	–
*Offer price includes 3% prelim. charge				
EBC Amro Currency Income Fund*				
Income	£9.95	10.4380	−0.021	9.08
*Offer price includes 5% prelim. charge				
International Income Fund				
US$ Dep Short A	$1.2927		−0.0005	0.26
Do. Dist	$0.8009		−0.0005	0.34
Mxd. Cur Str't term B	$1.4733		−0.0004	–
Do. Dist	$1.0500		−0.0003	0.31
Eurobd Long Term*	$30.65	32.0436	.....	5.27
*Offer Price includes 3½% Initial Charge				

Equitilink International Mngt Ltd

First Aust Prime Inc Inv Co Ltd NAV Dec 1 C$12.41xd
First Aust Prime Inc Inv Co Ltd NAV Dec 1 US$10.63xd
NAV Diluted to reflect exercise of all Wrts C$12.04xd US$10.32xd

	Bid Price	Offer Price	+ or −	Yield Gross
Fidelity International (CI) Ltd				
Sterling American (z)	170.20	181.10		–
$ Bond Fund (z)	$5.25	5.47	+0.01	7.40
Gilt Fund (z)	24.40	25.50	+0.10	10.80
Fidelity Performance Portfolios Ltd				

	Bid Price	Offer Price	+ or −	Yield Gross
Warburg Investment Management Jersey Ltd				
CS Intnl & Int	£1.39	1.48	.....	1.41
Energy Int	$311.53		—	–
Mercury Bond Dec 6	$28.38	28.41	—	4.93
Merc Comm Mkt Dec 7	£79.45	81.45	—	0.77
Merc T'atlantic Dec 7	£43.65	44.75	—	1.25
Metals Trust Dec 7	£16.08	16.48	—	–
Merc Money Mkt Sth	£32.63		—	–
Mercury Far Eastern Trust Ltd				
Japan Fund Dec 7	£64.08	67.29	—	0.24
Pacific Fund Dec 7	£55.74	58.54	.....	1.50
Mercury Offshore Stlg Tst-SICAV				
Global Fund (z)	£1.303	1.396	−0.006	1.36
Overseas Fund (z)	£1.322	1.416	−0.005	0.92
European Fund (z)	£1.270	1.357	−0.002	0.48
Japan Fund (z)	£1.287	1.377	−0.008	–
N American Fund (z)	£1.327	1.409	+0.001	0.09
Pacific Fund (z)	£1.335	1.446	−0.004	1.58
Utd Kingdom Fund (z)	£1.298	1.397	−0.002	2.40
Cash Fund (z)	£0.978	1.030xd	+0.001	12.44
Mercury Selected Tst-SICAV				
Australian Fd	$13.25	14.20	−0.05	–
DM Global Bond Fd	DM20.98	22.10	+0.06	–
European Fund	$24.27	25.93	+0.09	–
European Opps Fd	$15.25	16.25	+0.09	–
Global Bond Fd	$11.49	12.11	−0.11	8.46
Global Fd	$42.89	45.99	−0.01	1.24
Global Mny Cur Fd	$10.92	11.30	–	5.22
Hong Kong Fd	$8.05	8.68	+0.02	–
Japan Fund	$25.86	27.67	−0.11	–
Japan Opps Fd	$18.67	20.02	−0.08	–
North Amer Fd	$15.71	16.68	−0.06	2.42
Nth American Opps	$10.64	11.30		1.35
Pacific Fd	$11.05	11.93	−0.05	–
Singapore & Mlysia Fd	$10.03	10.84	+0.08	–
United Kingdom	$20.65	22.93	+0.09	1.60
Yen Global Bond Fd	$11.10	11.69	−0.38	2.99
Yen Global Eq Fd	$9.68	10.39	−0.2	1.92
Yen Intl Eq Fd	$8.81	9.43	−0.25	2.65
Wardley Fund Managers (Jersey) Ltd				
Wardley Japan Trust	$16.55	17.56	−0.05	0.32
Wardley Gilt Fund	£2.01	1.06	+0.01	10.05
Wardley Priv Cap Tst	$19.25	20.40	+0.08	1.60
Wardley Int Equity Tst	$12.68	13.46	+0.02	0.00
Wardley Bond Tst	$15.36	16.14	+0.06	5.08
Wardley Funds Limited				
Managed Currency Fd. Is—	15.71929		—	–
World Bond Fund-SICAV				
World Bond Fund NAV	$20.04	21.05	—	0.90
Inv Ad Warburg Asset Mngt London				
World Capital Grth Fd-SICAV				
World CapGrthFdNAV	$12.50	13.27	—	0.76
Inv Adv Warburg Asset Mngt London				
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc	$230.97	232.13	—	7.99
Valued weekly on Wednesdays				

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or −	Yield Gross
EDM NIM $	$1.04	1.13	+0.01	–
Royal Wessex Fund	£1.01	1.054	+0.010	–
Wessex Special Sits	£1.42	1.480	−0.001	–
P.I.C. $ Managed	$0.97	1.012	+0.017	–
Argent Stg High Yld	£10.69		+0.03	–
Argent Stg Blncd	£12.65		+0.10	–
Argent Stg Eqty Gth	£13.78		+0.17	–
OFS/Stock Grp Mgd Gr £	£1.34		−0.01	–
OFS/Stock Grp Mgd Gr $	$1.18		+0.01	–
OFS/JC Mgd Gr £	£1.19		−0.02	–
OFS/JC Mgd Gr $	$1.12		+0.01	–
OFS/JC Inc £	£0.99		.....	–
OFS/JC Inc $	$0.90		.....	–
Mgd Composite No.1	$1.00	1.08	−0.01	–
Mgd Composite No.2	$1.13	1.22	.....	–
Zero Bd Mgd Comp	$1.13	1.22	+0.01	–
Japan Mngd Comp	Y967	1035	+12	–
Environment Mgd Comp	$0.88	0.95	−0.01	–
CH 10	SFr1.06	1.15	+0.01	–
LX 10	$1.11	1.20	.....	–
Dbl-Mate Fd $	$4.93	5.29	+0.13	–

For Skilife see Target Intl Group

	Bid Price	Offer Price	+ or −	Yield Gross
ATSP Management Ltd				
Philippines Long Term Equity Fund				
NAV Aug 31	$15.74		—	–
Abbey Global Investment Fund				
Intl Inc & Gth Fnd	$1.99	2.11	—	–
(Sterling Price)	£1.26	1.33	—	–
UK Gth Fnd	£0.85	0.90	+0.01	–
American Gth Fnd	$2.63	2.79	.....	–
(Sterling Price)	£1.66	1.76		–
European Gth Fnd	Ecu2.56	2.71	−0.01	–
(Sterling Price)	£1.86	1.97	−0.01	–
Japanese Gth Fnd	Y518	549	−5.00	–
(Sterling Price)	£2.26	2.40	−0.03	–
Pacific Basin Gth Fnd	$1.99	2.11	.....	–
(Sterling Price)	£1.26	1.33	—	–
Sterling Cash	£1.20	1.27	—	–
Adig Investment				
Adiranta	DM21.41	22.05	+0.04	–
Adiverba	DM170.89	179.43	+1.61	–
Fondak	DM77.17	81.03	+0.54	–
Fondis	DM70.69	74.22	+0.21	–
Alliance Capital				
Alliance	$6.78	7.17	−0.01	–
Global Bond Fund	$12.19	12.56	.....	–
Health Care	$24.26	25.35	−0.42	–
Hi Grade Bond	$10.80	11.43	+0.02	6.71
Hi Yield Bond	$6.36	6.75	+0.01	15.69
International	$19.28	20.40	−0.02	–
Intl. Tech	$18.00	18.90	−0.09	–
Quasar	$21.08	22.22	+0.08	–
Mortgage	$8.79	9.30	+0.02	9.35
Surveyor	$11.28	11.94	+0.00	–
Technology	$21.52	22.77	−0.11	–
Alliance International Currency Reserves				
US Dollar Reserves May 16-22 0.001050 (5.67%pa)				
Anglo-Swiss Asset Management Ltd				
Anglo-Swiss Cap	£9.82	10.06	—	–
Anglo-Swiss Inc	£8.19	8.35	—	–
Arab Bank Fund Managers (Guernsey) Ltd				
ABL International Fund Ltd				
US Dollar Money	$10.01	10.01	—	–
Managed Currency	$10.08	10.00	—	–
International Bond	$10.00	10.00	—	–
Asian Development Equity Fund				
NAV Dec 11	$14.02		−0.01	–
BAII Multicurrency (SICAV)				
US Dollars	$1571.10		—	–
Ecu	Ecu1175.88		—	–
Yen	Y277,061		—	–
French Franc	FFr11625.52		—	–
BMA-Banque de Marches et d'Arbitrage				
Bond Plus Fund	FFr1178.91		+0.56	–
Bond Security	FFr1226.07		+0.33	–
Julius Baer Bank & Trust Co Ltd				
Liquibaer J. Baer SFd	$1284.00	1805.00	—	–
S-Baer, J Baer$Fd*	$1139.00	1144.00	—	–
DM-Baer, J.BaerDMFd*	DM1008.00	1013.00	—	–

	Bid Price	Offer Price	+ or −	Yield Gross
GT Hsiao Pfoer Lt(z)(9 for 1)	$11.67		+0.02	–
GT Jap Sm Co(z)(9 for 1)	$13.51		+0.29	0.34
GT Korea Fd (z)	$9.66			–
GT Nat Res Gold Class (z)	$7.18		+0.15	–
GT Newly Ind Cs Fd (z)	$33.13		—	1.00
GT Sel Dollar Bd Port (z)	$9.59			7.67
GT Sel Gilt Port (z)	£8.38		+0.02	11.46
GT Sel Intl Bd Port (z)	£9.75		.....	–
GT Technology Fd (z)	$36.57		−0.16	–
GT UK Small Cos Fd (z)	$7.71			–
GT US Small Cos (z)	$13.44		+0.12	–
GT Universal Gwth Fd (z)	$10.37		+0.01	–
GW Investment Mngmt Ltd				
GGF Guaranteed Futures Ltd-Ser I Nav Aug 31 $10.38				
Gaia Currency Hedge Funds				
Gaia Hedge I	$89.60	90.57	—	–
Gaia Hedge II	$107.63	110.13	—	–
Gartmore Fd Mngrs (Far East) Ltd				
Australia Tst Dec 11	$4.545	4.890xd	—	–
Japan Fd Dec 11	$14.810	15.950	—	–
N. American Tst Dec 6	$33.375	35.770xd	—	–
Intl. Bond Fd Dec 7	$11.440	12.050xd	—	7.21
Pacific Tst Dec 8	HK$21.790	23.310xd	—	–
Oriental V'ture Tst Dec 11	$46.525	47.480	—	–
Japan Warrant Dec 11	$10.42	10.71	—	–
Hong Kong Fd Dec 11	$15.105	15.415	—	–
Managed Tst Dec 11	$18.12	19.13	—	–
S'pore & Malaysia Dec 7	$13.970	14.975	—	–
Gartmore Investment Ltd				
Gartmore Fund Managers International Ltd				
Capital Strategy Fund Ltd (z)				
Sterling Deposit Fd	£1.005xd		.....	13.99
US$ Deposit Fd	$1.065		+0.002	7.41
DM Deposit Fd	DM5.226		+0.001	6.85
Yen Deposit Fd	Y515.3		+0.2	5.30
Swiss Fr Dep	SFr5.218		.....	6.59
Aust Dlr Deposit Fd	A$1.133		+0.002	16.30
French Franc Dep Fd	FFr10.63		.....	9.03
Nth American Fd	$1.76		+0.02	–
Japan Fund	Y809		+1	–
Pacific Basin Fd	Y340		+3	–
Int Growth Fund	$3.08		+0.01	0.20
British Fund	£2.38		.....	3.00
Sterling Bond Fd	$1.03xd		.....	8.65
Intl Bond Fund	$1.19		−0.01	6.30
Yen Conv Bond Fd	Y3244		44	1.48
European Fund	DM5.88		+0.01	–
ECU Bond Fund	Ecu0.99		+0.01	7.50
Australasian Fd	A$0.36		—	1.08
Canadian Fd	C$0.99		.....	1.00
Emerging Mkts Fd	£1.39		−0.01	0.50
Global Resources	$0.51			0.78
Capital Strategy Portfolio				
Income Portfolio	1.51		.....	9.59
Growth Portfolio	£1.40			1.78
Balanced Portfolio	1.26		−0.01	3.74
Genesis Fund Managers Ltd				
Chile Fund Nov 16	$10.08		—	–
Emerging Mkts Dec 4	$11.24		—	–
German Selection Associates N.V.				
NAV Dec 1	DM2,250.24		—	–
Gertrust SA				
Samurai Portfolio	SFr377.00	411.10	—	–
Global Asset Management Corpn				
GAMerica	$256.22		—	–
GAM Arbitrage	$234.56		—	–
GAM ASEAN	$166.67		—	–
GAM Australia	$146.93		—	–
GAM Boston	$200.25		—	–
GAM Ermitage	$20.63		—	–
GAM European Inc	$116.39		—	–
GAM France	FFr1535.51		—	–
GAM Franc-val SFr	SFr260.19		—	–
GAM Global	$130.33		—	–
GAM High Yield	$104.05		—	–
GAM Hong Kong	$195.71		—	–
GAM International	$170.94		—	–
GAM Japan	$479.09		—	–
GAM Mony MktFdsr US$	$103.09		+0.03	–
Do Sterling	£106.11		+0.04	–
Do Swiss Fr	SFr102.78		+0.03	–
Do Deutschemark	DM102.98		+0.02	–
Do Yen	Y10109		+1	–
GAM Pacific	$342.18		—	–
GAM Pacific Basin Fd	$138.15		—	–
GAM Restructuring Inc	$162.38		—	–

	Bid Price	Offer Price	+ or −	Yield Gross
Huntington World Investors Fds Ltd				
Managed Currency	$14.15	14.33	—	7.71
Indosuez Asia Invest Services Ltd				
Asian Growth Fund	$35.26		—	–
Asian Income Fund	$9.44		—	–
Pacific Gold Fund	$13.36		—	–
Imprenet				
NAV Nov 29	$10.90		—	–
Intermarket Fund				
NAV Dec 31	$416.21		—	–
International Bond Trust				
CCIC A NAV Dec 11	$13.37		+0.03	–
EECLS B NAV Dec 11	$30.13		+0.06	–
International Property Fund				
NAV	–		—	–
International Speciality Fund				
Intl Speciality	$12.83		—	–
Investment Portfolio Services (C.I.) Ltd				
Global Mngd Port	110.0	113.0	—	6.25
Ivory & Sime Pembroke Inc				
GBC Nth America Inc	C$3.47xd		—	–
JC Global Fund-SICAV				
NAV Dec 11	$9.78		−0.01	–
The Japan Capital Secured Trust				
NAV Dec 6	$10.4352		—	–
Japan Money Back Fund				
NAV Dec 5	$12.3212		—	–
Japan Selection Associates N.V.				
NAV Dec 1	Y10,540.00		—	–
Jardine Fleming Inv Mngt Ltd				
JF Pacific Wrnt Cort(9-1)	£15.63		−0.23	–
Fledgeling Japan Inv	£1.9387		—	–
JF Indonesia Fd Inc	$7.23		—	–
JF Philippine Inc	$9.48		—	–
† Fully diluted NAV (4/12)				
Jardine Fleming Unit Trusts Ltd				
JF Japan Trust(z)	Y20,394	21,684	−10	–
JF Japan Small Co	Y66,785	71,008	+224	–
JF Japan Tech Tst	Y44,428	47,237	−227	–
JF Pacific Secs Tst(z)	$29.41	31.28	−0.03	–
JF Pacific Inc Tst(z)	$97.08	103.23	+0.40	–
JF Hong Kong Tst(z)	$62.77	66.75	+0.18	–
JF Eastern Tst(z)	$34.10	36.27	+0.12	–
JF Asean Trust(z)	$22.58	24.02	+0.15	–
JF Philippine Tst	$63.62	67.92	−8.98	–
JF Australia Tst	$4.36	4.64	−0.04	–
JF American Growth Tst	$10.01	10.65	+0.03	–

	Bid Price	Offer Price	+ or −	Yield Gross
The New Zealand Fund				
Manager:Leadenhall Offshore Ltd				
The NZ Fund	$8.41	8.09	−0.19	–
Newport International Management				
Npt. Intl. Securities	$38.94		—	–
Npt. Intl. Inc. Fd	$19.00		—	–
Npt. Pacific	$26.42		—	–
Nikko Luxembourg S.A.				
Global Alpha Strategy Fund-SICAV				
Pacific Alpha Fd*	$13.84	14.05	—	–
US/Europe Alpha Fd*	$10.24	10.39	—	–
*Price as at December 4 1989				
US Index Fd-SICAV NAV	$11.53		—	–
**Price as at December 5 1989				
Nomura Asia Europe Fund				
NAV Dec 11	$10.98		+0.01	–
Nomura Dragon Global Fund				
NAV Dec 11	$11.32		−0.05	–
Nomura Growth Fund SA				
NAV Dec 11	Y18,737		−108	–
Nomura Prudential Fd Pt II				
NAV Dec 12	$15.80		+0.02	–
Nomura Prudential Global Portfolio				
NAV Dec 11	$15.23		−0.05	–
Nomura Rosenberg Alpha Fund Mark II				
Portfolio A: NAV	$13.52		—	–
Portfolio B: NAV	$11.23		—	–
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr260.0	261.0	—	–
Low Risk Fund	DKr204.0	205.0	—	–
High Perf. Fund	DKr242.0	243.0	—	–
Bond Fund	DKr157.0	158.0	—	–
Second Low Risk Fd	DKr167.0	168.0	—	–
Second High Perform Fd	DKr192.0	193.0	—	–
Mixed Intl Fd	DM150.0	151.0	—	–
Invest Fd (Cayman)	DKr117.0	118.0	—	–
High Perf Fd (Cayman)	DKr124.0	125.0	—	–
Bond Fd (Cayman)	DKr113.0	114.0	—	–
Mixed Fd (Cayman)	DM112.0	113.0	—	–
High Security Fd	DKr124.0	125.0	—	–
High Income Fd	£10.4	10.9	—	–
Norway Fund Management A/S				
SRI Norway Gth Fd	76.04	79.88	—	3.04
Orbitex Bahamas Ltd				
Orbitex Growth Fund	$6.2898	6.9188	—	–
Orbitex Nat Res Fd	C$8.0068	8.8075	—	–

	Bid Price	Offer Price	+ or −	Yield Gross
Skandifond				
Skandinaviska Enskilda Banken				
Equity Int. Acc	$11.89	12.50	—	–
Equity Int. Inc	$11.28	11.68	—	–
Equity Global	$1.12	1.19	—	–
Far East	$1.90	2.00	—	–
Equity Gold	$0.99	1.05	—	–
Equity Japan Acc	Y145	153	—	–
Equity Nordic	$1.19	1.26	—	–
Equity UK	$1.11	1.18	—	–
Equity Contl Europe	$1.18	1.25	—	–
Equity Mediterranean	$1.12	1.19	—	–
Equity North America	$1.21	1.28	—	–

	Bid Price	Offer Price	+ or −	Yield Gross
Unifonds	DM33.58	35.30	+0.10	–
Unirak	DM78.27	82.20	−0.30	–
Dairenta	DM35.14	36.20	—	–
Viking Fund-SICAV				
$NAV Dec $ Ecu91.44				
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Closed)				
Dollar Fd BOPUPs	$10.70	10.71	—	–
Dollar Fd OPUPs	$11.21	11.38	—	–
Sterling Fd BOPUPs	£10.59	10.60	—	–
Sterling Fd OPUPs	£14.22	14.42	—	–
DM Fd BOPUPs	DM10.39	10.36	—	–
DM Fd OPUPs	DM12.78	12.96	—	–
Yen Fd BOPUPs	$8.42	8.43	—	–
Yen Fd OPUPs	$12.08	12.25	—	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Inc	$11.65	12.37	.....	1.13
Wells Fargo U.S. IT Fund				
NAV	–		—	–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech	$27.38		...	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Funds Money Mngmt Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Cafcash Deposit Fd	14.93	–	15.78	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	13.00	–	13.87	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX 01-236 1425				
Call Fnd	14.45	11.31	13.50	6-Mth
7-day Fund	14.55	11.38	15.60	6-Mth
Special Fund	14.70	–	15.98	Mth
Dollar	7.25	5.67	7.79	3 Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	13.50	10.56	14.64	Qtr
Mth Int Chq £2,500-£4,999	13.50	10.56	14.77	Mth
Mth Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-629 6802				
OMNIA (£2,001+)	14.50	11.35	15.94	Mth
HICA (£2,001+)	13.90	10.88	15.248	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN 01-625 7000				
2,000-9,999	13.738	10.750	14.922	Qtr
£10,000+	14.058	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH 01 601 6746				
Money Mkt Cheque Acc	13.60	10.64	14.90	Mth
Barclays Capital Advantage Account				
94 St Paul's Churchyard EC4M 8EH 01-248 9155				
£10,000+	13.50	10.75	14.92	Qtr
Barclays Prime Account H.I.C.A.				
PO Box 125, Northampton 0604 252891				
£1,000-£2,499	11.80	9.20	11.47	Qtr
£2,500+	12.20	9.50	13.13	Qtr
Benchmark Bank PLC Premier Account				
9 Henrietta Place, W1M 9AG 01-631 3313				
Small Deposits	10.50	–	–	–
£2,500-£10,000	13.50	10.39	14.65	Qtr
£10,001-£20,000	13.75	10.76	14.94	Qtr
£20,000+	14.50	11.35	15.79	Qtr
B & C Merchant Bank PLC Portfolio Acc				
19 Motcomb Street, London SW1X 8LB 01-245 6616				
£2,500-£9,999	13.5	10.56	14.64	Qtr
£10,000-£24,999	14.0	10.95	15.21	Qtr
£25,000 and above	14.5	11.35	15.72	Qtr
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2 01-606 9833				
Demand Acc	13.375	10.47	14.51	Qtr
Cater Allen Ltd				
25 Birchin Lane, London EC3V 9DJ 01-623 2070				
HICA	13.50	10.5638	14.7874	Mth
Consort £5,000 min	14.250	11.1506	15.6514	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH 01-248 4000				
Sterling	13.50	10.56	14.79	Mth
U.S. Dollar	7.50	5.87	8.94	Mth
German Marks	6.50	5.09	6.94	Mth
Swiss francs	6.00	4.70	6.40	Mth
Japanese Yen	4.50	3.52	4.77	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove W6 01-741 4941				
Money Market Plus				
£2,000-£24,999	11.00	8.50	11.79	Mth
£25,000	11.50	9.00	12.51	Mth
Clydesdale Bank PLC				
30 St Vincent Place, Glasgow G1 2HL 041 248 7070				
HICA £2,000-£9,999	12.2	9.55	13.20	Qtr
£10,000-£19,999	13.0	10.17	14.09	Qtr
£20,000-£49,999	13.2	10.33	14.32	Qtr
£50,000+	13.7	10.72	14.88	Qtr
Co-operative Bank Top Tier				
78-80 Cornhill EC3 0800 616162				
£500-£999	9.00	7.00	9.10	6-Mth
£1,000-£2,499	10.30	8.00	10.98	6-Mth
£2,500-£9,999	11.50	9.00	12.30	6-Mth
£10,000+	12.80	10.08	13.70	6-Mth
Coutts Reserve Account				
440 Strand, London WC2R 0QS 01-379 6262				
£50,000+	13.375	10.125	13.50	Qtr
£20,000-£49,999	13.25	10.00	13.33	Qtr
£5,000-£19,999	12.75	9.625	12.83	Qtr
£1-£4,999	6.00	4.50	6.00	Qtr
Dartington & Co Ltd				
10 The Crescent, Plymouth PL1 3AB 0752 673873				
Money Mkt Acc	13.75	10.76	14.94	Qtr
Edington Plc				
1 King Street, Manchester M2 6AW 061 834 2535				
HICA (£1,000+)	14.3125	11.20	—	Qtr
Financial & General Bank plc				
13 Lowndes Street, London, SW1X 9EX 01-235 0036				
H.I.D.A. £5,000-£15,000	13.90	10.50	14.70	Qtr
H.I.D.A. £15,000+	13.67	10.78	15.00	Qtr
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX 01-236 1425				
Money Mngt. Acct	13.75	10.76	14.93	3 Mth
Girobank plc High Interest Cheque Acc				
10 Milk St., London EC2V 8JE 01 600 6020				
£1,000-£3,999	10.75	8.25	12.33	Yearly
£4,000-£9,999	11.00	8.50	12.67	Yearly
£10,000-£49,999	11.75	10.00	13.33	Yearly
£50,000	11.75	10.50	14.08	Yearly
Grofund Inv Mngrs/Allied Irish Bank				
High Interest Cheque Account				
51, Belmont Road, Uxbridge, UB8 1RZ 0895 59703				
£1,500+	14.00	10.96	15.22	Qtr
Humberclyde Finance Group				
Chalky Ct, Winchester Rd, Basingstoke 0256 841063				
£500-£2,499	13.0	10.17	14.09	Qtr
£2,500-£9,999	13.5	10.56	14.65	Qtr
£10,000-£49,999	14.0	10.95	15.21	Qtr
£50,000+	15.0	11.75	16.34	Qtr
Lloyds Bank High Interest Cheque Account				
71 Lombard St, London EC3P 3BS 01-325 3497				
£500+	9.70	7.00	9.60	Mth
£5,000+	11.40	9.00	12.10	Mth
£10,000+	11.90	9.20	12.80	Mth
£50,000+	12.40	9.50	13.20	Mth
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd, Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	13.25	10.37	14.52	Daily
Midland Bank plc				
PO Box 2, Sheffield 0742 529035				
High Int Chq Acc	11.50	9.00	12.41	Qtr
£10,000+	12.14	9.50	13.13	Qtr
£50,000+	13.42	10.50	14.56	Qtr
Premier Savings £5,000+	14.06	11.00	15.07	6-mth
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-374 3374				
£25,000 and above	13.25	10.00	13.84	Qtr
£10,000 to £24,999	12.75	9.625	13.30	Qtr
£2,000-£9,999	12.5	9.375	11.95	Qtr
£500-£1,999	11.75	9.00	12.51	Qtr
Provincial Bank PLC				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H.I.C.A. (£1,000+)	14.125	11.05	15.45	Mth
Royal Bank of Scotland plc Premium Acc				
42 St Andrew Sq, Edinburgh EH2 2YE 031-320 5650				
£50,000+	13.93	10.90	15.14	Qtr
£25,000-£49,999	13.74	10.75	14.92	Qtr
£10,000-£24,999	13.30	10.60	14.71	Qtr
£2,500-£9,999	12.47	9.75	13.49	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB 0708 766966				
H.I.D.A.	13.25	10.37	14.56	Daily
Standard Property Investment PLC				
8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235				
HICA	14.50	11.35	15.13	Yearly
TSB Bank plc (England & Wales)				
108 Lower Thames St, London EC3R 6AQ 01-623 6000				
HICA £1-£499	7.00	5.50	7.53	Yearly
£500-£1,999	9.50	7.50	10.00	Yearly
£2,000-£9,999	11.50	9.00	12.00	Yearly
£10,000-£24,999	11.75	9.30	12.40	Yearly
£25,000+	12.25	9.60	12.80	Yearly
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol 0272 744720				
Demand Acc	13.75	10.75	14.93	Qtr
HIMA	13.62	10.66	14.79	Qtr
HIMA £100,000+	13.87	10.85	15.07	Qtr
Client Plus Acc	13.25	10.36	14.37	Qtr
J. Henry Schroder Wagg & Co Ltd				
Bilton Cres, Northarbour Rd, Portsm'th 0705 372222				
Special Acc	13.625	10.66	14.93	Mthly
£10,000 and above	13.875	10.86	15.23	Mthly
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE 0752 224141				
£25,000+	14.50	11.35	15.78	Qtr
£5,000-£24,999	14.25	11.15	15.50	Qtr
£2,000-£4,999	14.00	10.96	15.22	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE 01-606 9485				
High Int Cheque Acc	14.50	11.35	15.79	Qtr

NOTES—Gross rate is those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr frequency interest credited.

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ‡ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rate of NAV increase. xd ex dividend. (**) Funds not SIB recognised.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
134¼	124	Treas 2pc IL '90(84.6)	134¼	+⅛	[illegible]	9.98
99	98	Exch 11pc 1990‡‡	99	−1/16	[illegible]	14.53
101	99	Exch. 12½pc 1990	99½	−1/16	[illegible]	14.54
96	91	Treas. 3pc 1990	96	+1/16	[illegible]	11.94
97¼	95⅝	Treas 8¼pc 1987-90‡‡	97⅛xd	+1/16	[illegible]	13.82
98	95¼	Treas. 8pc Cv 1990 ‡‡	96xd	+1/32	[illegible]	13.88
98	96	Treas. 10pc Cv 1990	96G	.....	[illegible]	13.94
93	87	Exch 2½pc 1990	92¼	+⅛	[illegible]	10.84
101	98	Treas 11¾pc 1991	98¼xd	.....	[illegible]	13.55
93¼	89⅞	Funding 5¾pc '87-91‡‡	92	+1/32	[illegible]	11.98
90¾	86	Treas. 5pc 1991	90	+1/16	[illegible]	10.49
100	95½	Treas 10pc Cv '91 ‡‡	95xd	+1/16	[illegible]	12.97
101	96	Exch. 11pc 1991	97	+⅛	[illegible]	12.72
94⅛	91	Treas. 8pc 1991	92⅛xd	+1/16	[illegible]	12.60
106	100½	Treas 12¾pc 1992‡‡	100	+¼	12.66	12.32
99½	95	Treas 10pc 1992	95	+⅛	10.45	12.28
94	90	Treas. 8pc 1992 ‡‡	91	+¼	8.74	12.25
100¾	96	Treas 10½pc Cv 1992‡‡	96	+⅛	10.85	12.06
85½	82¼	Treas. 3pc 1992	84	+⅛	3.56	10.34
105	94	Exch. 12¼pc '92	100	+⅛	12.21	11.07
109¼	103¼	Exch 13½pc 1992	103	+⅛	13.03	11.91
94	90	Treas 8¾pc 1993	90¾	+⅛	9.08	11.73
100	95⅛	Treas 10pc 1993‡‡	95⅝	+⅛	10.44	11.55
100¾	101	Treas 12½pc 1993‡‡	102xd	+⅛	12.19	11.62
88	84	Funding 6pc 1993‡‡	85¼	.....	7.02	10.80
113¼	106	Treas 13¾pc 1993‡‡	106	+⅛	12.84	11.46
94⅛	89	Treas. 8½pc 1994	90	+⅛	9.41	11.48
117	109	Treas 14½pc 1994‡‡	120½	+⅛	13.12	11.29
113	106	Exch 13½pc 1994	106¼	+⅛	12.63	11.44
100¾	94	Treas. 10pc Ln 1994‡‡	95½	+⅛	10.45	11.25
110¼	102	Exch. 12½pc 1994	103¾	+⅛	12.04	11.41
96	91⅛	Treas 9pc 1994‡‡	91	+⅛	9.86	11.10

Five to Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
108	101	Treas 12pc 1995	102¼	+⅛	11.71	11.32
79⅞	72	Exch 3pc Gas 90-95	75¾	.....	3.96	8.73
101	95	Exch. 10¼pc 1995	95	+⅛	10.68	11.21
113	106	Treas 12¾pc 1995‡‡	106	+⅛	11.91	11.09
119	110	Treas. 14pc '96	111	+⅛	12.54	11.29
97½	90	Treas. 9pc 1992-96‡‡	91	+⅛	9.85	10.93
126	117	Treas 15¼pc 1996‡‡	118¼	[illegible]	12.86	11.10
117	108	Exch 13¼pc 1996‡‡	109	[illegible]	12.06	11.07
101	94½	Conversion 10pc 1996	95	[illegible]	10.48	10.96
118¼	109	Treas 13¼pc 1997‡‡	110¼	[illegible]	11.97	11.02
104	96	Exch 10½pc 1997	97	[illegible]	10.74	10.93
95	88	Treas 8¾pc 1997‡‡	89	[illegible]	9.74	10.71
128⅝	118	Exch 15pc 1997	119	[illegible]	12.53	11.15
100	93¼	Exch. 9¾pc 1998	94	[illegible]	10.35	10.83
84¾	78⅝	Treas 6¾pc 1995-98‡‡	80	[illegible]	8.43	10.35
134	123	Treas. 15½pc '98‡‡	124	[illegible]	12.39	10.96
113	105	Exch 12pc 1998	106¼	[illegible]	11.38	10.90
100¼	92	Treas 9½pc 1999‡‡	94xd	[illegible]	10.18	10.53
115⅞	106	Exch. 12¼pc 1999	107	[illegible]	11.35	10.87
105⅝	97¼	Treas. 10½pc 1999	98	[illegible]	10.64	10.73
104	96	Conversion 10¼pc 1999	97⅛	[illegible]	10.55	10.71
94	86	Treas. 8½pc Ln 2000‡‡	87	[illegible]	9.67	10.45
97	89	Conversion 9pc 2000‡‡	90	[illegible]	9.89	10.45
122	112	Treas. 13pc 2000	113xd	[illegible]	11.47	10.85
103⅛	95	Treas 10pc 2001	96	[illegible]	10.36	10.52
124	114	Treas. 14pc '98-01	118¼	[illegible]	12.16	11.08
102	93¼	Conversion 9¾pc 2001	94	[illegible]	10.26	10.48
113	104	Exch. 12pc '99-02	106	[illegible]	11.34	10.95
104	95	Conversion 10pc 2002	96⅞	[illegible]	10.30	10.41
102	94	Treas 9¾pc 2002	95¼	[illegible]	10.20	10.37
97	89	Exch. 9pc 2002	90	[illegible]	9.92	10.36
126	116	Treas. 13¾pc 2000-03	117	[illegible]	11.69	10.90
105⅝	96	Treas 10pc 2003	98	[illegible]	10.18	10.23
113	103	Treas. 11½pc 2001-04	105¼	[illegible]	10.36	10.52
106	96	Treas. 10pc 2004	98	[illegible]	10.14	10.19
59⅞	54	Funding 3½pc '99-04	55¼xd	[illegible]	6.28	9.01
102	93½	Conversion 9½pc 2004	95	[illegible]	9.97	10.12

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
103	93¾	Conversion 9½pc 2005	95	+¼	[illegible]	10.00
111	101½	Exch. 10½pc 2005	103¼	+½	[illegible]	10.08
125	114¼	Treas. 12½pc 2003-05	116	+⅝	[illegible]	10.28
90¾	82½	Treas. 8pc 2002-06‡‡	83	+⅝	[illegible]	10.01
118	108	Treas. 11¾pc 2003-07	110	+⅝	[illegible]	10.30
96	86	Treas 8½pc 2007‡‡	88	+⅝	[illegible]	9.85
134¾	122¼	Treas. 13½pc '04-08	124	+¾	[illegible]	10.22
101	91	Treas. 9pc 2008‡‡	93¼	+⅝	[illegible]	9.79
93	91	Treas. 9pc 2008 B	93¼	+⅝	[illegible]	9.79
92	83	Treas 8pc 2009	84	+⅝	[illegible]	9.75
102	91¾	Conv 9pc Ln 2011‡‡	93½xd	+¾	[illegible]	9.72
68¾	61½	Treas. 5½pc 2008-12‡‡	62¾	+½	[illegible]	9.53
89¾	80⅝	Treas. 7¾pc 2012-15‡‡	81	+⅝	[illegible]	9.68
132	118⅝	Exch. 12pc '13-'17	120	+¾	[illegible]	9.74

Undated

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
45⅝	40	Consols 4pc	40	+¼	9.85	–
40¼	35½	War Loan 3½pc‡‡	36½	+¼	9.74	–
70	60¾	Conv. 3½pc '61 Aft	61	+¼	5.60	–
41	31¾	Treas. 3pc '66 Aft	32	+⅛	9.28	–
30¼	25	Consols 2½pc	25⅜xd	+¼	9.71	–
29½	24	Treas. 2½pc	25¼	+¼	9.85	–

Index-Linked

1989 High	1989 Low	Stock (b)	Price £	+ or −	(1)	(2)
112¼	103	Tr. 2pc '92‡‡(97.8)	112½	+¼	2.86	3.96
105	94	Do. 2 '94 (102.9)	105	+¼	2.79	3.36
155	139½	Do. 2pc '96(67.9)	155	+⅝	2.96	3.35
130	118	Do 2½pc '01(78.3)	130	+⅝	3.39	3.64
127	115⅝	Do. 2½pc '03(78.8)	127	+¼	3.49	3.70
131	117	Do. 2pc '06(69.5)	130	+¼	3.52	3.70
123	110¼	Do. 2½pc '09(78.8)	121	+¼	3.53	3.70
128	114	Do. 2½pc '11(74.6)	126	+¼	3.52	3.68
106¼	95¼	Do. 2½pc '13(89.2)	105	+¼	3.49	3.63
115¼	101½	Do 2½pc '16(81.6)	113	+¼	3.46	3.60
112	100	Do 2½pc '20(83.0)	111	+¼	3.43	3.55
95	84	Do. 2½pc '24‡‡(97.7)	94⅛xd	+¼	3.38	3.49

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1989: 112.3 and for October 1989: 117.5.

INT. BANK AND O'SEAS

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
100	98	African Dv Bk 11¼ Ln 2010	99¼	+⅛	11.19	11.20
104⅝	94	Asian Dev Bk 10¼pcLn2009	95½	+⅛	10.73	10.81
130	117	Australia 13½pc 2010	120	+¼	11.35	11.13
113	101	Do. 11¼pcLn2015	102	+⅛	11.09	11.06
110	98¼	Euro Inv Bk 11pc Ln 2002	99	+¼	11.02	11.01
119	107	Int-Am Dev Bk 12½pc 2003	108	+⅛	11.50	11.22
99¾	89	Do. 9¾pcLn 2015	90	+⅛	10.77	10.85
97½	89	Mlysia 10¾ pcLn 2009	89	.....	12.09	12.24
120	110	Mexican States 16½pc 2008	110	.....	15.00	14.90

CORPORATION LOANS

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
111½	95½	Birmingham 11½pc 2012	99½	.....	11.56	11.60
91	85½	GLC 6¾pc 1990-92	88½xd	.....	7.63	12.80
124½	115½	Leeds 13½pc 2006	115½	.....	11.69	11.36
33	29	Liverpool 3½pc Irred	29	.....	12.07	–
95½	92	LCC 6¾pc '88-90	94½xd	.....	7.14	12.80
30	26	Do. 3pc '20 Aft	28	.....	10.71	–
107½	99½	Manchester 11½pc 2007	99½	.....	11.56	11.60

COMMONWEALTH & AFRICAN LOANS

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
89½	86½	NZ 7¼pc 1988-92	88	.....	8.25	12.20
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
100	99	N'wide Anglia 12⅝pc 2.1.90	99¾	+⅛	12.20	15.12
100½	98¾	Do. 12¼pc 29.1.90	99½	+⅛	12.62	15.30
100	98¼	Do. 12⅝pc 26.2.90	99	+⅛	12.77	15.24
100	98	Do. 12¾pc 19.3.90	99	+⅛	12.87	15.28
100	98	Do. 13⅛pc 23.4.90	99¼	+⅛	13.48	15.30
100	98	Do. 13pc 14.5.90	99	+⅛	13.12	15.24
100	98⅝	Do. 13⅝pc 4/6/90	99	.....	13.78	15.21
100	99¼	Do. 14¼pc 2.7.90	99⅛xd	.....	14.37	15.17
100¼	98	Do. 13⅝pc 23.7.90	99	.....	13.76	15.19
100	98	Do. 13⅜pc 13.8.90	98	+⅛	13.58	14.98
100	98	Do. 13½pc Bds 3.9.90	98	+⅛	13.64	14.91
107½	98½	Do. 3⅞pcIL Ln 2021	107¼	.....	0.34	4.47
107½	99½	Do. 4.25pcIL '24	106¼	−¼	4.34	4.31

Public Board and Ind.

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
47	43½	Met. Wtr. 3pc 'B'	45xd	.....	6.67	10.86

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
50	40	Greek 7pc Ass.	50	.....	3.50	f7.00
50	40	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	40	Do 4pc Mixed Ass.	50	.....	2	f4.00
80	65	Hung '24 Ass.	80	.....	2.75	f3.57
139	125	Hydro Quebec 15pc 2011	127	+¼	15.00	11.56
128	113	Iceland 14½pc Ln 2016	115¾	+⅛	14.50	12.48
97¼	90	Ireland 9¾pc '91-96	91	+¼	10.71	11.60

AMERICANS

1989 High	1989 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
44	26¼	Abbott Laboratories‡	42½xd	−⅞	[illegible]	–	2.1
579p	361p	♦Allegheny & W 1c	442p	−18	[illegible]	–	4.5
10¾	12¼	Amax $1	14½xd	+½	[illegible]	–	3.5
11½	6	Ambase Corp $1	8⅝xd	+⅛	[illegible]	–	1.5
15	695p	Amdahl 5c	845pxd	+5	[illegible]	–	0.7
37⅞	25½	Amer. Cyanamid $5	33⅞	−¼	[illegible]	–	2.5
25	14	Amer. Express 60c	21xd	−⅛	[illegible]	–	2.5
28⅝	15¼	American T. & T. $1	27	−⅛	[illegible]	–	2.8
41⅝	26	AmerBech $1	39¼	+⅛	[illegible]	–	4.7
659p	490p	♦Asiamerica Equity‡	568p	−1	–	–	–
22	9⅞	BankAmerica $1	15⅞xd	+⅛	[illegible]	–	2.2
37⅞	19⅝	Bankers N.Y. $1	28xd	−⅛	[illegible]	–	4.8
68⅝	38½	Bell Atlantic $1	57⅞	+⅛	$4.40	–	4.1
35¼	19⅝	BellSouth Corp	33¼	−⅛	$2.52	–	4.7
15¾	9¼	♦Bethlehem Steel $8	10¼xd	−⅛	40c	–	2.4
12	868p	♦Bio-Rad Labs. A	10	−⅛	–	–	–
20¼	15⅛	Bowater Inc	17⅞	−⅛	$1.12	–	4.0
12⅞	8	Brunswick 75c	8xd	+⅛	44c	–	3.1
46⅝	28⅝	CPC Intnl. 25c	45¼	+⅛	$1.80	–	2.5
863p	333p	California Engy	821p	−11	–	–	–
36	17¾	Campbell Soup 15c	31xd	.....	92c	–	1.8
28⅞	15	Chase Manhattan $12½	22⅝xd	−⅛	$2.36	–	6.6
26¼	17	Chem Banking Corpn	20½	+⅛	$2.72	–	8.4
17½	11	Chrysler $6¼	12xd	+⅛	$1.20	–	6.3
22	14	Citicorp $1	10¾xd	−⅛	$1.62	–	5.7
41⅞	25¼	Colgate-Palmolive $1	39½xd	+⅛	s$1.48	–	2.4
17⅛	10¼	Cont'l Bank Corp $4	13⅞	+⅛	80c	–	3.8
410p	218p	♦Corporate Data Scnce	318p	.....	–	–	–
27⅞	21	Dana Corp. $1	21¼xd	−⅛	$1.60	–	4.7
13	760p	Data General	782p	+21	–	–	–
38⅝	26⅛	Dun & Bradstreet $1	26⅞	−⅛	$2.00	–	4.8
43½	24½	Eaton Corpn. 50c	35¼	+⅛	h$2.00	–	3.6
11⅞	0¼	Echlin Inc	8⅞	+⅛	70c	–	5.0
21⅞	16⅞	FPL Group 1c	21½xd	.....	$2.28	–	6.7
23	13⅛	Fluor Corp 62½pc	23¼	+⅛	16c	–	0.5
35⅛	27	Ford Motor $1	28¼xd	−⅛	$3.00	–	6.7
40⅞	24⅛	Gen. Elect. 63c	40	−⅞	$1.88	–	3.0
579p	365p	♦General Host Corp $1	410p	−2	30c	–	4.6
39⅞	18¼	Gillette $1	30¾	+½	96c	–	2.0
987p	404p	Gt American Bank Bk $1	410p	+6	[illegible]	–	3.1
23¾	16	Greyhound $1½	19⅞xd	+⅛	[illegible]	–	4.3

Continued on next page

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
15¼	847p	Hasbro Inc 50c	12⅛	+⅛	16c	—	0.8
37½	32⅛	Honeywell $1½	51⅛xd	-½	$2.75	—	3.4
22⅝	15¼	Houston Inds.‖	22	-⅛	$2.96	—	8.5
76⅛	60⅞	IBM Corpn $1¼	61⅛xd	-⅝	$4.84	—	5.0
60p	45p	Image Storage/R.Sys.1c	50p		—		—
32⅛	18¾	Ingersoll-Rand $2	29xd	-⅛	$1.20	—	2.6
33⅜	22½	Lockheed Crpn. $1	25xd		$1.80	—	4.6
22⅝	11⅝	Lone Star Inds $1	11⅞xd	-⅛	$1.90	—	10.6
27¾	17½	Louisiana Land 15c	26⅜xd	+⅛	$1.00	—	2.4
20⅛	11½	Lowe's 50c	19⅛	+⅛	48c	—	1.6
28⅞	15⅞	Manuf. Hanover $1	21⅝	-⅛	$3.28	—	9.6
22⅝	13⅞	Merrill Lynch $1	16⅝	-⅛	$1.00	—	3.9
24⅛	19⅛	Molex Inc	22⅛		3.2c	—	—
30⅛	18⅛	Morgan (JP) $2½	26⅛xd	-⅛	$1.66	—	4.0
28⅞	24⅛	Morris (Philip)	26⅞xd		$1.13	—	2.6
54⅛	36⅛	NYNEX $1	53⅛	+⅛	$4.36	—	3.2
44p	16p	N'wide Legal Serv.‖	20p	+4		—	—
24⅞	18⅛	PHH Corp.‖	22⅝	-⅛	$1.16	—	3.2
259p	167p	♦Pacific Agr.‖	179p			—	—
28⅛	19	Pacificorp $3¼	28xd		$2.76	—	6.0
30⅛	16⅞	Pacific Telesis 10c	30⅝		$1.88	—	3.9
22⅞	15⅛	Pall Corp. 25c	20⅝	-⅛	48c	—	1.5
55⅜	39⅜	Pennzoil 83 1/3c	54⅛xd	+2	$3.00	—	3.5
42⅛	28⅛	Quaker Oats $5	36⅛	+½	$1.40	—	2.4
32⅛	23½	Rep NY Corpn $5	30⅛xd	-⅛	$1.28	—	2.7
16⅛	11⅛	Rockwell Intl. $1	13⅛xd	+⅛	78c	—	3.7
29⅛	22	Sears, Roebuck 75c	24xd	+⅛	$2.00	—	5.3
37½	21⅝	Southwestern Bell $1	36⅛	-⅛	$2.60	—	4.6
27⅞	17⅞	Sun Co. Inc. $1	26⅛xd	+⅛	$1.80	—	4.4
31⅛	22⅛	TRW Inc. 62½c	31⅛	+⅛	$1.72	—	3.5
24⅞	14⅛	TW Services $5	21⅝	-⅛		—	—
40⅛	26⅛	Tenneco $5	38⅛	-⅛	$3.04	—	5.0
35⅞	28	Texaco $6.25	35xd	+⅛	$3.00	—	5.4
28⅞	18⅞	Texas Instr. $1	23xd	+⅛	72c	—	2.0
117⅞	58⅞	Time Inc. $1	82⅞	-⅞	$1.00	—	0.8
19⅛	13⅞	TRINOVA Corp.	13⅞	+⅛	68c	—	3.1
26⅛	16⅞	USX $1	22⅞xd	+⅛	$1.40	—	3.9
321p	126p	♦Unilab	300p			—	—
36⅛	22⅛	Utd. Technologies	32⅛xd	-⅛	$1.60	—	3.1
168p	121p	♦Utilitech Inc.	168p			—	—
48⅛	31½	US West‖	46⅛	+⅛	$3.76	—	5.2
43⅛	22⅝	Waste Management $1	42⅞xd	-⅛	60c	—	0.9
20½	13½	Whirlpool $1	18½	-⅛	$1.10	—	3.8
24⅛	16⅞	[illegible] Corp.	17⅝	+⅛	$1.02	—	3.6
46⅛	20⅛	♦Woolworth $3½	38⅛	+⅛	$1.88	—	3.1

CANADIANS

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
186p	129p	♦ABM Gold Corp‖	157p		—	—	—
26p	4½p	♦Abbot Energy Corp.	26p		—	—	—
10⅝	401p	♦Amer. Barrick Res.	10⅝xd		—	—	—
39⅛p	10½p	♦Armeno	29p	+2	—	—	—
33⅛p	8½p	♦Augmitto Expln.	8⅛p		—	—	—
18½	12⅞	Bk. Montreal‖	18½		$2.12	—	6.2
10⅝	655p	Bk. Nova Scot.‖	924p	+4	92c	—	5.4
831p	599p	♦BC Gas $1	822p	-9	60c	—	4.0
24⅛	17	BCE‖	24⅛	-⅛	$2.44	—	5.5
17	12⅛	♦Brascan‖	14⅝	-⅛	88c	—	3.5
228p	108p	♦Breakwater Res.	177p		10c	—	3.1
18⅛	11⅛	Can.Imp Bank‖	18⅛	+⅛	$1.24	—	3.7
15⅛	997p	Can. Pacific‖	14⅛		92c	—	3.5
41½	37	Do. 4pc Deb £100	37½		4%	—	10.8
588p	374p	Central Capital "A"‖	540p		—	—	—
586p	340p	♦Corona Corp.	584p	-2	—	—	—
461p	228p	♦Cons TVX Min.	435p	+6	—	—	—
775p	492p	♦Derlan Inds.‖	505p		11.75c	—	1.3
12½	751p	♦Echo Bay Mines	12		$0.07	—	0.3
572p	336p	♦ECO Corp‖	369p		—	—	—
417p	243p	Gandalf Techs. Inc.	339p	-2	—	—	—
186p	122p	Granges Inc.‖	152p		—	—	—
27⅛p	30p	♦Gt Pacific Res.	9⅛p		—	—	—
903p	651p	♦Gulf Canada‖	849p	-16	52c	—	3.3
17⅛	10⅛	♦Hawker Sid Can‖	13⅛		$1.08	—	4.3
20⅛	11⅛	♦Hudson's Bay‖	17⅛		60c	—	1.9
34⅝	23	♦Imperial Oil‖	32⅛	-⅛	$1.80	—	3.0

BUILDING, TIMBER, ROADS — Contd

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	151	Countryside Props.	177		†3.15	12.7	2.4	4.4
[illegible]	163	Crest Nichol 10p	184		†7.15	3.9	5.2	6.7
[illegible]	70	Do 5½pc.Cr.Cm.Rd.Pf.	79		5½%	—	9.8	—
[illegible]	20	Creston 10p	31		1.7	♦	7.3	♦
[illegible]	76	Crosby (James) 10p	91		†3.5	6.9	3.2	3.7
[illegible]	45	Danelon Tyson 10p	45	-1	m0.75	2.4	2.2	24.6
[illegible]	266	Douglas (Robt. M)	428xd	+3	†6.5	3.8	2.0	10.5
[illegible]	22	♦Dunton Group 5p	27	-½	1.0	3.5	4.9	7.7
[illegible]	110	EBC 50p	140		†h6.75	3.0	6.4	6.3
[illegible]	31½	Edmond Hldgs 10p	41		†1.7	3.4	5.5	6.1
[illegible]	101	♦Epwin Group 10p	112	+2	†5.3	2.0	6.3	10.8
[illegible]	58	Erith	66	+1	3.9	1.9	7.9	8.7
297	210	♦Eve Group	239	+1	s7.0	3.0	3.9	4.7
*165½	94	Evered	129		H3.4	2.7	3.6	8.9
210	85	Fairbriar 10p	93		5.0	4.6	7.2	4.0
277	70	Fed. Housing 5p	70		7.5	4.9	14.3	1.8
93	53	Finlan Group 10p	60		4.9	1.9	10.9	6.0
325	215	♦Freeman Group 10p	275		†6.75	3.7	3.3	10.4
101	68	Galliford 5p	69		3.9	2.1	7.5	8.5
282	195	Gibbs & Dandy 10p	195	-2	s2.75	1.2	♦	54.5
76	31	Do. "A" 10p	39		s2.75	1.2	♦	9.2
883	590	Gleeson (M.J.) 10p	713	+15	9.36	8.0	1.8	9.6
250	193	Graham Wood	195xd	-2	17.7	3.9	5.3	3.4
199	155	Harrison Inds 10p	155		6.85	2.2	5.9	10.0
205	150	♦Hatfield Ests.	165xd		4.25	5.5	3.4	7.1
138½	85	Hewden-Stuart 10p	106	-½	†h2.2	5.8	2.8	8.3
£580	£345	Do. 10pc '03/08	£430xd		Q10%	—	2.3	—
143	110	♦Hewetson 10p	118		13.85	3.7	4.7	7.6
126	92	Do. 7pc Cm Cv Pf.	92		7.0	—	10.1	—
93	38	Hey & Croft 25p	40		2.81	3.7	9.4	3.2
311	207	Heywood Williams	236		†11.5	3.1	6.5	6.5
128	89	Do. Cnv. Prf.	94		6.75	—	9.6	—
435	263	Higgs & Hill	434	+2	♦†12.0	3.8	3.7	9.6
106	73	How Group 10p	75		†3.38	3.1	6.0	7.2
50	37	Howard Hldgs. 10p	37		1.5	4.6	5.4	6.2
183½	114½	Ibstock Johnsen	126	-1	†5.5	3.3	5.8	6.3
148	57½	Jackson Group 10p	106	-2	†h2.65	3.2	3.3	12.7
156	110	Jarvis 5p	125		2.25	3.3	2.4	13.7
121	84	♦Jennings AS.50	105	+1	Q20%	2.1	4.6	10.4
96	65	♦Kingspan Gp Ir20p	93		L1.71	4.1	2.5	10.8
£175½	£129	Lafarge Cop. F100	£160		Q25%	5.3	1.6	11.8
370	194	Laing (John)	283		12.0	4.2	5.7	5.6
370	170	Do. "A" N/Vtg	284		12.0	4.2	6.3	5.1
405	263	Latham (J.) £1	263		†10.75	3.5	5.5	6.9
159	75	Lawrence (W.)	75		7.5	3.3	13.3	3.1
160	85	Do 8.5pc CnvRdPf £1	90		8½%	—	12.6	—
76	48½	Lilley 12½p	61		♦a1.64	3.7	3.6	(7.9)
105	83	♦Lon. & Clydeside	98		5.7	1.9	7.8	9.1
*511	104	♦Lovell (G.F.)	338		2.5	—	0.8	—
287	214	Lovell (Y. J.)	231		8.75	♦	5.2	♦
399	297	McAlpine (Alfred)	343		16.1	1.6	6.3	13.1
407	73	McCarthy & Stone 20p	113		†5.14	8.5	6.1	2.6
[illegible]	185	McLaughlin & H.	208		†g9.0	3.5	6.0	6.6
[illegible]	185	Manders (Hldg)	209		†6.35	2.1	4.1	15.1
[illegible]	113	Marley	134	+1	6.35	2.6	6.3	7.9
[illegible]	97	Marshalls	118		†h4.38	4.0	5.0	6.1
[illegible]	88	Do. 6½p Cr Cm Red Pf.	92½		6.5	—	9.4	—
[illegible]	67	Maunders (J.) 20p	71		4.75	4.0	8.9	3.7
[illegible]	302	Meyer Int.	345	+1	†15.0	4.0	5.8	5.6
[illegible]	109	Miller (Stan) 10p	125	-1	4.0	2.6	4.3	10.6
93	43	♦Miskin Grp 20p	46		Wd1.38	4.5	4.1	6.0
[illegible]	314	Mowlem (J)	345	+1	†19.5	2.3	7.5	7.6
[illegible]	69	NSM 10p	118		3.0	2.1	3.4	(16.1)
[illegible]	76	♦Needler Group‖	95		†Q9.8c	7.3	5.6	2.4
[illegible]	158	Newman-Tonks	175		†8.5	1.9	6.5	11.1
[illegible]	121	Persimmon 10p	136		†5.0	5.4	4.9	4.9
115	67	Phoenix Timber	91xd		2.75	2.7	4.0	(10.0)
£16½	£10½	Pochins	£13⅛		s24.0	7.0	2.4	6.6
161	95	Polypipe 10p	103		3.0	3.6	3.9	8.7
171	110	Prowting 20p	122		5.0	4.2	5.5	3.8
111	52	♦Quiligotti 5p	78		L2.0	♦	3.4	♦
819	503	RMC	669		†14.5	4.3	2.9	10.3
111	82	Raine Inds. 10p	99	+1	5.0	2.4	6.7	8.0

DRAPERY AND STORES — Contd

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
35	21	♦PML 5p	21		1.0	2.0	6.3	9.5
*113	31	Panfida Group	32		a1.33	♦	3.6	♦
123	80	Pentos 10p	101	-2	†1.8	3.4	2.4	9.9
*361	265	♦Pepe Group 10p	272	-1	g6.0	5.3	2.9	8.5
61	33	♦Propeller 1p	36		0.5	8.4	1.9	6.6
42	17	Ramar Texts. 5p	23	+1	1.75	2.4	10.1	5.4
*288	170	Ratners 10p	244	-1	†7.5	3.4	4.1	8.5
172	103	Do. Cnv Cum Pf £1	151		5.85%	—	5.2	—
130	72	♦Reject Shop 5p	75	+3	3.15	2.8	3.6	8.2
107	88	Ritz Design Grp 5p	95xd	+½	†2.0	2.9	2.8	6.9
79	59	S&U Stores 12½p	65	+2	†4.25	3.2	8.7	4.8
43⅛	37⅛	Do. 31½pcPf. 12½p	40⅛		3.94	—	12.9	—
137	98½	Sears	104	-1½	†5.1	2.3	6.5	8.7
89	56	♦Shani Group 10p	66		4.0	♦	8.1	♦
405	335	♦Sherwood Grp 10p	340		†5.5	6.4	2.2	9.6
360	228	Smith (W. H.) A 50p	328	-2	10.4	2.8	4.2	11.3
193	78	♦Sock Shop Intl. 5p	88		a2.12	3.8	3.2	11.0
76	6	♦Specialeyes 2p	33		1.88	3.1	7.8	5.6
68	43	Stirling Group 20p	51xd		1.35	3.4	3.5	11.0
198	106	Storehouse 10p	113	-2	8.8	1.0	10.6	13.0
135	32	Summer Intl. 20p	36	-1	F1.0	—	3.7	—
116	66	Do. 7.5pc Cv Cm Rd Pf.	66		7.5	—	15.2	—
*132	108	T & S Stores 5p	115		§4.0	2.2	4.6	12.8
98	43	Tie Rack 5p	51		1.33	4.4	3.5	8.8
[illegible]	150	Time Prods. 10p	166		6.5	3.2	5.2	7.5
[illegible]	40	Upton & Southern	47	+2	2.5	2.1	7.1	6.8
[illegible]	73	♦Usher (Frank) 5p	73	-2	6.0	2.0	11.0	6.0
[illegible]	58	Vivat Hldgs	77	-1	—	—	—	—
[illegible]	68	♦Wensum 5p	73		L2.94	1.8	5.4	10.1
[illegible]	149	Wickes	185	+1	†3.5	4.3	2.5	11.3
[illegible]	110	Wilding Off. 10p	118		†4.0	3.7	4.5	7.9
[illegible]	70	♦World of Leather 10p	85		4.5	3.7	7.1	5.1
[illegible]	198	♦Wyevale Gdn.Ctre.50p	284	+2	†4.5	4.2	2.1	14.7

ELECTRICALS

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	266	AB Electronic	277	+4	17.5	2.1	8.4	7.3
[illegible]	86	ABB Kent	129		†3.5	1.8	3.6	17.5
[illegible]	18	AMS Inds 5p	23		1.5	0.5	8.7	28.4
[illegible]	152	♦Acal 5p	154xd	+1½	†4.05	3.7	3.5	9.4
[illegible]	18	♦Acorn Cmptr 10p	24	+1	—	—	—	14.3
[illegible]	129	♦Admiral Computing 5p	200		†2.55	4.7	1.7	16.8
[illegible]	48	Alba 10p	60	+2	4.35	1.7	9.7	8.1
[illegible]	19	♦Alphameric 5p	26	+2	†2.0	—	♦	—
[illegible]	25	♦Ambassador Sec 5p	25½	-½	—	—	—	6.2
[illegible]	36	Amstrad 5p	43	+5	1.4	6.2	4.3	4.9
[illegible]	225	♦Appl'd H'graphics 5p	255		—	—	—	—
[illegible]	57	Apricot Comp 10p	68		2.0	3.0	3.9	11.1
[illegible]	48	Arcolectric 'A' NV 5p	55		†0.96	6.3	2.3	9.1
[illegible]	52	Arlen 20p	79		†3.3	2.8	♦	8.5
£67¾	£34½	ASEA AB. 'A' Sk.50	£67¾	+⅛	Q18%	2.3	1.3	33.9
£68⅛	£34½	Do 'B' Sk.50	£68⅛	+⅛	Q18%	2.3	1.3	34.2
69½	45	Astec (BSR) 10p	53	-1	Q3.05	0.1	3.8	—
*113½	17	Audio Fidelity 10p	21xd		†1.5	8.9	♦	1.4
68	35	♦Audit & General	36		0.3	3.2	1.1	32.5
*306	216½	Auto'ted Sec. 10p	294	+1	†g2.7	6.8	1.2	15.5
561	385	BICC 50p	475	+7	†16.0	2.2	4.5	12.5
127	25	Bearl & F'tain 20p	41		1.32	—	4.3	—
85	27	Betacom 10p	30		g2.6	2.9	11.6	4.0
£15⅞	£10⅛	Black & Decker $0.50	£12⅞	-⅛	Q40c	—	2.0	—
279	172	Blick 5p	178	+2	†5.6	2.9	4.2	10.6
808	330	♦Borland Intl Inc 1c	763	-5	—	—	—	—
237	154	Bowthorpe 10p	181	+1	†4.0	3.5	2.9	12.0
*215	103	Britannia Sec. 10p	116		2.7	3.2	3.1	11.5
298	242½	British Telecom	288½xd	-1	†10.5	2.6	4.9	10.7
36	13	Bulgin 'A' 5p	16	+1	0.2	9.0	1.7	8.8
208	178	Butler Cox 5p	178		14.0	2.5	3.0	16.6
220	131	CML Microsystems 5p	176		1.8	7.1	1.4	13.8
60	35	♦CPU Computers 5p	48	+5	—	—	—	8.8
614	365	Cable & Wire's 50p	514xd	+2	†7.98	2.8	2.1	19.3
£162½	£101	Do 7pc Cnv Ln 2008	£137½		Q7%	—	5.1	—
265	134	Cambridge Elec.	154	+2	†9.35	2.3	8.1	7.2

ENGINEERING — Contd

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	39½	Blackwood Hodge	39½		†1.5	3.7	5.1	5.8
[illegible]	79	Booth Industries	82	+3	2.2	4.3	3.6	8.6
[illegible]	19½	Brasway 10p	38		b0.76	4.2	3.4	9.3
15½	6¼	Bristol Ch Ship 10p	7		—	—	—	15.3
[illegible]	101	Bromsgrove Inds 5p	117		2.75	4.2	3.1	9.5
[illegible]	26½	Brooke Tool 5p	30	-½	†1.8	2.0	8.0	8.2
[illegible]	121	Bullough 20p	126	+1	†h5.67	2.7	6.0	8.3
[illegible]	31	C I 10p	39		†1.8	2.8	6.2	7.2
[illegible]	192	Camford Eng	243	+2	†5.0	3.2	2.7	15.4
[illegible]	106	Carclo Eng. 5p	106		3.9	2.5	7.4	6.8
[illegible]	181	Castings 10p	198xd		†6.1	3.8	4.1	8.1
[illegible]	7	Cauldon Group 5p	7½	-½	—	—	—	15.6
[illegible]	107	Chamberlin & Hill	128xd	-½	†h4.5	4.6	4.7	3.9
738	565	Chemring Group 5p	565		†21.5	3.4	4.9	8.0
138	108	Do. Cnv Rd.Pf 5p	108		6.0	—	7.5	—
262	207	Clayton Son 50p	222		10.5	2.5	6.3	7.5
1275	875	Cohen (A) 20p	925xd	+6½	†21.0	5.2	3.0	6.7
*319	222	Concentric 10p	268	+1	9.36	♦	4.7	♦
374	207	Cook (Wm.) 20p	327		u12.0	2.7	4.9	9.2
196	120	Cooper (Fr) 10p	125		3.85	♦	4.2	♦
95	68	Cronite Group	76		4.0	♦	7.3	♦
248	120	Davies & Met. 10p	225		†3.42	5.0	2.0	11.9
288	171	Davy Corp.	235		†6.5	2.0	4.4	11.8
689	280	Desoutter Bros.	625		†11.0	3.0	2.3	19.1
54	32	Downiebrae 10p	38		—	—	—	76.1
*77	42	♦Eadie	42	-4	†g2.0	1.3	6.3	14.9
405	225	Edbro	225xd	-2	11.0	2.4	6.5	7.4
*121	85	Elliott (B.)	95	+1	13.6	1.8	5.1	12.6
265	142	Fairey Group 5p	194		W5.8	3.0	3.8	11.1
*95	64	File Indmar	83		g3.75	0.8	6.0	28.9
133	68	Firth (G. M.) 10p	71	+2	3.0	2.0	9.4	7.0
70	40	Folkes n/v 5p	48		†1.77	2.9	4.9	8.8
157	111	GEI Intnl. 20p	129		†6.54	1.7	6.8	10.9
476	291½	GKN £1	419	+4	†17.0	2.4	3.4	(8.5)
227	173	Garton Eng. 10p	175	-1	†6.25	3.9	4.8	7.2
339	217	Glynwed Int.	246		†9.7	3.2	5.3	7.9
*260	170	Haden Mac 20p	171	-1	†5.0	2.9	3.9	10.7
275	183	Hall Eng 50p	183		†h7.2	3.4	3.2	6.8
783	538	Hawker Siddeley	669	+4	†22.5	2.4	4.5	11.4
150	125	Heath (Samuel) 10p	130		4.3	1.7	4.4	17.7
301	175	Hill & Smith	235		†h4.17	4.3	2.4	12.9
36	19	♦Hobson 5p	24		0.75	1.9	4.2	16.3
108	60	Hopkinsons	78		3.33	2.4	5.7	(12.4)
*175	128	Howden Group	168	+2	4.6	2.2	3.7	14.0
254	181	IMI	216	+1	†8.15	2.9	5.3	8.7
66	40	Johnson & Firth 10p	51	+1	†2.0	1.7	5.2	14.2
177	101	Jones & Shipman	126		†4.5	1.5	4.8	17.0
*279	190	Laird Group	231	+2	H9.7	1.9	5.6	(12.5)
173	125	Lee (Arthur) 12½p	141	+3	†4.25	3.2	4.0	10.5
185	125	Linread	158	+2	†4.75	3.1	4.1	10.6
38	30	Locker (T) 5p	34		†1.43	2.3	5.6	9.4
31	24	Do. 'A' 5p	26		†1.43	2.3	7.3	7.2
*151	104	ML Hldgs 5p	107		2.85	3.9	3.6	9.5
156	85	MS Internl 10p	85xd		†3.96	2.7	6.2	7.8
290	228	Manganese Bronze	228		7.5	3.5	4.4	8.7
348	247	McKechnie	265	-3	14.75	2.1	7.4	7.8
135	83½	Meggitt 5p	86		†2.75	3.0	4.3	9.4
*96	72	Metalrax 5p	79		†h3.16	2.6	5.3	9.6
267	190	Molins	202		9.6	0.8	6.3	29.3
125	68	♦Morris Ashby 10p	70		4.1	2.7	8.0	6.2
69	39	Neepsend	45		1.2	2.5	3.6	(12.2)
278	173	Neill (James)	278		♦8.5	1.8	4.1	(16.2)
154	83	Powerscreen Intl 10p	139	+2	†4.2	2.7	4.0	10.8
142½	88	Priest (Ben)	107		4.5	3.0	5.6	8.0
*230	143	Ransomes	149		†h5.5	2.7	4.9	9.7
103	90	Do. 8¼p Pf.	91	+1	8.25	—	12.1	—
116	76½	Renold	85		†2.8	3.1	4.4	0.1
150	88	Richards Group 10p	103		†1.5	1.8	1.9	38.5
*74	47	[illegible] 10p	54		†g2.0	2.7	4.9	10.2
*124	84	Robinson (Thos.)	85		†h3.0	3.8	4.7	7.1
202½	131½	Rolls-Royce 20p	172	-2	†6.3	2.9	4.9	7.8
195	132	Rotork 10p	164		†7.25	1.4	3.9	15.1
£17⅛	864	SKF AB Sk12½	£14⅛	+⅛	Q28%	3.3	2.3	13.0
73	42	Saville Gordon 10p	53		2.0	2.4	5.0	10.2
*72½	54	Senior Eng'g 10p	58½		†g2.6	2.4	5.9	9.8

INDUSTRIALS (Miscel.) — Contd

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£34⅛	£14½	Astra AB 0 Sk12½	£34⅛	+½	bQ16%	3.4	0.6	—
133	90	Aukett Assocs. 5p	[illegible]		W3.0	2.9	3.5	12.3
*646	393	Avon Rubber £1	[illegible]		16.5	♦	5.3	♦
227	141	BBA Group	[illegible]	+2	6.45	2.7	5.2	8.2
133	91	Do. 6.7pc Cnv Rd Cv Pf.	[illegible]	+2	6⅛%	—	9.4	—
337	222	BET	[illegible]		†11.5	2.0	5.5	11.4
*124	59	♦BLP Group 10p	[illegible]		†3.6	1.3	8.1	7.7
546	420	BOC Group	[illegible]	-3	K19.0	e2.1	4.7	11.1
94	55	BSG Int. 10p	[illegible]		†3.0	2.6	5.6	9.2
485	382	BSS Group 20p	[illegible]	-1	15.0	2.7	5.2	9.2
485½	291½	BTR	[illegible]	+6	†12.0	2.2	3.6	15.1
253	75	BTR Wrrnts	[illegible]	+9	—	—	—	—
*330	196	BTR Nylex A$0.50	[illegible]	-2	†hQ15c	4.4	2.5	9.5
258	183	Baird (Wm.) 50p	[illegible]		†7.55	3.3	5.4	7.2
*207	146	Bardon Grp 10p	[illegible]		†3.25	2.9	2.7	17.1
76	47	Bardsey	60	+1	♦†0.75	4.9	1.7	16.3
60	20	Barlo Group Ir10p	29		Q18.3%	♦	6.0	♦
285	168	Barrett (Henry) 10p	247xd	+3½	5.1	3.8	2.8	11.3
285	191	Barry Wehmiller 5p	279	+2	5.6	3.3	2.7	12.4
£16⅛	£9⅞	Baxter Int'l Inc. US$1	£15⅛	-⅛	Q56c	—	2.2	—
42	24	Baynes (Charles) 10p	33		†0.5	3.6	2.0	18.0
*15	7	Bear Brand 5p	10¼		—	—	—	—
375	185	♦Beaverco 5p	195		7.5	2.9	5.1	8.2
225	122	Beazer 10p	165	-1	7.3	3.9	6.1	3.6
116	72	♦Beckenham Grp. 5p	81	+2	F3.0	2.6	4.9	10.7
*73½	23	Benlox 10p	34		m0.2	—	0.7	—
47	22	Benson Group 10p	22		G0.7	2.8	5.7	8.9
348	284	Bespak 10p	332	+9	6.0	3.0	2.4	18.6
60	14	Bestwood 5p	16		0.5	—	4.2	—
181	123	Bibby (J.) 50p	144	-2	8.5	♦	7.9	♦
101	83	♦Bilston & B'sea 10p	98	-2	†g4.2	1.0	5.7	20.3
160	125	Bilam (J.) 10p	145		4.04	0.7	3.7	51.6
*59	22	♦Bimec Inds 5p	40		†a0.75	1.1	2.5	36.8
133	70	Black Arrow 20p	78	-5	3.75	3.0	6.4	6.8
186	110	Black (P) Hldgs	118		2.4	5.4	2.7	9.1
114½	82	Blue Arrow 5p	[illegible]	-½	1.8	2.8	2.6	15.4
255	167	♦Bluebird Toys 10p	[illegible]		6.75	3.1	4.5	8.8
320	201	Bodycote Intnl	[illegible]		†7.0	3.8	4.2	7.9
63	30	Bogod Grp A 10p	[illegible]		0.64	5.4	2.4	10.2
514	372	Boot (Henry) 50p	[illegible]		†17.5	2.1	5.5	11.9
322	227	Boots	[illegible]	-6	†10.0	2.1	5.0	11.3
531	396	Bowater Inds £1	[illegible]	+3	†15.25	2.6	4.6	10.7
128	100	♦Boxmore Intl 10p	[illegible]	+1	u5.2	1.9	5.5	12.2
350	249	Braithwaite £1	[illegible]	+5	6.5	3.9	2.9	10.9
302	184	Brammer 20p	[illegible]		13.0	1.5	9.4	9.2
82	63	♦Brandon Hire 10p	[illegible]		u3.33	1.6	6.3	10.6
84	46	Bridgend Group 10p	[illegible]	+1	†0.65	2.6	1.4	34.0
224	175½	Bridon	[illegible]		†7.0	2.1	4.7	12.4
226	151	Bridport-G 20p	[illegible]	+3	7.0	♦	6.2	♦
*90	40	Brierley Invs NZ$0.5	[illegible]	+5	Q20%	2.2	4.8	9.4
745	420	Brit. Aerospace 50p	[illegible]	+16	†20.6	3.2	4.8	8.6
240	125	♦Brit. Bloodstock	[illegible]	+15	8.8	—	7.6	—
223	145	Brit Fittings 20p	[illegible]		†6.39	2.9	4.1	11.0
158⅛	116	Brit Steel 50p	[illegible]	-1	†1.75	4.2	7.7	3.4
176	143	Brit. Syphon 20p	[illegible]		♦♦2.02	4.6	♦	16.5
317	203	British Vita	[illegible]	+1	16.5	3.2	3.2	11.8
518	285	B. H. Prop. SA1	[illegible]	-5	†Q35c	2.3	3.8	11.3
133	85	♦Brompton Hldgs 20p	[illegible]	+8	♦	—	—	—
227	135	Brooks Service	[illegible]		†5.0	2.5	4.2	12.6
235	175	Brown & Tawse	[illegible]	-1	9.5	2.1	7.2	8.3
71	26	Bullers	[illegible]	+1	2.0	2.3	7.4	7.3
210	105	Burndene 5p	[illegible]	-1	†7.0	3.2	6.7	6.0
305	125	♦Business Tech Grp 10p	[illegible]	+1	†3.0	4.9	1.7	13.1
157	95	CH Industls 10p	[illegible]	-1	4.88	3.5	6.4	3.7
2550	2033	CMB Packaging Fr10	[illegible]		Q130%	—	5.4	17.2
2350	1550	[illegible]	[illegible]	+38	—	—	—	—
53	45	CRT Group 10p	[illegible]	-1	—	—	—	—
258	184	CSR A$1	[illegible]	-3	†Q32c	1.5	6.2	11.1
*220	95	♦C'bell & Armstrng 5p	[illegible]		4.95	3.1	4.8	8.1
*298	136	Cannon St Invs 20p	[illegible]	-1	†8.0	2.8	7.4	6.8
74	33	Caparo Inds 1p	[illegible]		†2.05	3.0	4.3	10.1
213	163	Cape	[illegible]	+1½	†7.5	2.4	5.7	9.3
448	353	Do. 8.4pc Cm Cv Pf.	[illegible]		8.4%	—	3.0	—
183	113	♦Capita Group	[illegible]		u2.5	2.2	2.3	22.0
225	140	Carbo 5p	[illegible]	+3	†5.7	3.0	3.7	12.2

INDUSTRIALS (Miscel.) — Contd.

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	128	Metal Closures	174	-1	♦†8.15	1.3	6.2	14.9
[illegible]	133	♦Metsec 10p	188		†5.8	5.7	2.7	13.5
[illegible]	280	Mid Kent Hldgs	365	+3	6.0	—	2.6	—
[illegible]	89	Do. Wrrts	99		—	—	—	—
[illegible]	17½	[illegible] 12½p	25	-½	—	—	—	—
[illegible]	138	MITIE Group 50p	363		—	—	—	22.2
[illegible]	50	[illegible] & Crane 10p	51xd	+1½	3.83	2.1	10.0	6.5
[illegible]	236	Morgan Crucible	300		†10.9	1.9	4.8	13.0
[illegible]	104	Do. 7.5pc Cnv Red Prf.	124	-1	7.5	—	8.1	—
[illegible]	285	Mosaic Invs. 10p	308		5.5	3.3	2.4	14.4
[illegible]	[illegible]	[illegible] Grp 10p	202	-3	†6.25	2.9	4.1	11.0
[illegible]	[illegible]	[illegible] Grp 12½p	113		3.3	4.2	4.0	8.0
[illegible]	[illegible]	Do. 7.75pc Rd Cv Prf	94		7.75	—	11.0	—
[illegible]	[illegible]	[illegible] Computers	33		0.25	—	1.0	—
		For Nash Inds. see Groveword Secs.						
133	87	Nestor-BNA 10p	115		†2.5	2.4	2.9	15.4
265	185	Nobo Group 10p	203		6.6	2.5	4.3	11.7
353	213	Norcros	237xd	-2	16.0	2.0	9.0	7.1
273	143	♦Norfolk House 5p	198	+7	†3.38	4.9	2.3	11.2
283	152	Norton Group	152		a0.29	7.7	0.3	65.1
£32⅛	£21⅛	Novo Inds. 'B' Kr.20	£31⅛	-⅛	†Q20%	5.9	1.2	14.4
615	385	Nu-Swift 5p	413	-2	†15.0	2.1	4.9	11.1
£188	£168	OCE 9pc Cnv 1987-92	£173		Q9%	—	3.1	—
202	14	Oakwood Grp. 10p	14	-1	a1.6	4.8	16.7	0.4
137	55	Office & Elect.	63		0.1	—	0.2	—
30	18	♦Omnitech 1p	18		—	—	—	—
148	110	Optical & Med. 5p	112		5.11	2.1	6.1	10.6
28	18	♦Optometrics $0.01	28		—	—	—	13.6
220	170	Oriflame	173		†Q20.0	1.7	5.9	9.9
173	130	♦PCT Grp 10p	138		†5.0	2.8	5.1	7.6
168	120	[illegible]	139	+1	—	—	—	—
109	52	♦Pacer Sys. $0.01	64	-1	Q5.9c	2.5	5.4	0.3
256	182	Pacific Dunlop $0.5	238	-4	Q17c	2.3	3.4	12.8
61	34	Page (Michael) Grp 2p	38		11.5	3.4	3.4	11.4
504	262	Parkfield Group 2p	497	-1	12.0	2.8	3.2	14.5
7¼	1½	♦Pavion Intl.	3		—	—	—	—
£59½	£29⅛	Do 11pc CrLn '98-02	£29⅛		Q11%	—	37.3	—
97	50	Pentland Group	74		†2.2	1.1	3.9	—
80	39	Pergamon AGO 2½p	65		♦4.5	1.6	9.2	7.0
71	38	Do. 25pc Cv Ln 1998	49⅛		26.3%	—	13.8	—
87	49	Petrocon 12½p	62	-2	—	—	—	31.0
590	415	Photo-Me 5p	350	-5	6.0	4.4	1.5	20.6
273½	196	Pilkington 50p	236xd	-1	†9.5	2.5	5.4	8.4
153	83	Do. Warrants	112		—	—	—	—
116	90	♦Plastiseal 5p	94		L3.78	2.3	5.4	11.0
13½	5	♦Platignum 5p	5	-½	—	—	—	—
91	48	♦Platon Int	58		—	—	—	—
43	31	Polymark 10p	34		—	—	—	(11.8)
160	135	Do. CmPfA 80p	136xd	-5	12⅛%	—	9.9	—
334	232	Portals	257	-2	†10.0	2.7	5.2	9.5
*114	84	Porter Chadburn 5p	93		†2.8	3.1	2.4	11.9
108	98	♦Porth Group 5p	98	-2	H4.5	1.0	6.1	(10.8)
226	181	Portmeirion Potts 5p	206		†4.5	2.6	2.9	13.0
412	339	Powell Duffryn 50p	389	+1	†20.5	1.4	7.0	12.0
293	227	Proudfoot	292		15.5	4.2	2.5	10.0
122	35	Quotient 5p	52	+2	†3.4	3.0	♦	5.0
223	125	RCO 10p	211		†6.0	2.4	3.8	14.7
149	108	♦RKF Group 10p	308		†3.38	2.1	4.2	14.4
210	86	♦RPS Group 5p	162		†2.2	3.0	1.8	24.2
273	185	Radiant Metal	193	+5	3.0	2.5	2.1	25.8
49	24	♦Ramco Oil Servs. 10p	46	+2	—	—	—	19.2
1069	721	Rank Org.	844	-12	†26.25	2.2	4.1	11.8
*536	407	Rauma-Repola FM10	455	-3	Q12%	3.8	4.1	6.4
1323	909	Reckitt & Colman	1263	+3	†25.5	2.8	2.7	14.5
118	83	♦Record Hldgs 5p	108		†3.0	3.1	4.0	10.3
141	80	Reed Exec 2p	106xd	-4½	2.0	4.2	2.7	12.0
177	102	♦Reliance Sec Grp 5p	146xd	+2	†5.75	2.2	5.3	11.6
*44	29	♦Reliant Grp. 10p	33	-1	0.5	3.9	2.0	12.5
231	135	Relyon	135		6.25	2.8	6.2	7.4
1042	506	Reuters 10p	1020	-18	†9.0	4.1	1.2	27.7
73	42	Rexmore	44xd	+½	2.25	3.3	6.8	5.7
160	113	Ricardo Group	141		5.8	2.2	4.7	12.6
123	84	Robertson Grp. 10p	115xd	+1½	†3.8	2.2	4.4	12.8
63	38	Rock	42	-1	—	—	—	—
75	50	Rockware	57		†2.25	1.5	5.3	14.2

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MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

♥ Top 500.
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
‡‡ Not officially UK listed; dealings permitted under rule 535(4)(a)
‡‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
Merger bid or reorganisation in progress
Not comparable
◆ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
◆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
◆ No par value
B.Fr. Belgian Francs. Fr. French Francs. ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987-88. Q Estimated annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xc ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	8	Arnotts	480
Bank of Ireland	830	Cimt (P.J.)	152
Finlay Pkg. 5p	65	Hall (R. & H.)	192
Holt (Leo) 25p	133d -5	Helton Hldgs.	92
IRISH		IRG	225
Cpt. 8% Ln. 1993	£96⅞	United Drug	148
Cpt Cap Ln. 1996	£97¾		
Fin. 15% 97/02	£115		

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Aztec (BSR)	5½
Bears	67
BOC Grp.	44
BTR	37
Barclays	40
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	48
Courtaulds	31
Eurotunnel	65
Fisons	8
FNFC	22
Gen Accident	42
GEC	14
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	30
Jaguar	55
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds.	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk.	25

Property	
Brit Land	27
Central Secs.	5
Land Securities	45
MEPC	45
Mountleigh	15

Oils	
Brit Petroleum	25
Burmah Oil	16
Charterhall	2½
Conroy Petro.	9
Premier	10½
Shell	37
Teekay Res.	12
Ultramar	20½

Mines	
Lonrho	23
RTZ	45

P & O Dfd 51
Polly Peck 38
Racal Elect 28
RHM 39
Rank Org Ord 72
Reed Intnl 34
STC 25
Sears 4
SmKl. Beecham A 48
TI 37
TSB 9
Tesco 16
Thorn EMI 63
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Japanese sell dollars

The US dollar eased yesterday following central bank intervention aimed at stemming its advance against the yen. Sterling was firmer following data that showed that the UK economy is still slowing down, while the Swiss franc continued to weaken.

The first sign of central bank intervention came in Tokyo where the Bank of Japan was reported to have sold a total of around $1bn at Y144.60. The concern among Japanese monetary authorities at the yen's weakness was made clear by a senior Bank of Japan official who said that yesterday's advance by the dollar against the yen had been undesirable.

The dollar came under renewed pressure in New York where the Federal Reserve was reported to have sold dollars for yen at Y144.60-70. Analysts said the Fed had acted on behalf of the Bank of Japan. Currency dealers believed the Bank of Japan was attempting to stop a weaker yen fueling domestic inflation and had dscided to stop the dollar breaking above Y145.

Mr David Simmonds, Chief Treasury Economist at Midland Montagu, said the dollar was also on the defensive on worries that the Fed may respond to recent weak economic reports by easing monetary policy. But he forecast that the dollar would trade in a narrow range of DM1.7500 to DM1.7750 until the release of US trade and producer price data on Friday.

Ths dollar closed at DM1.7660 from DM1.7720 on Friday, at Y144.45 from Y144.20, at SFr1.5970 from SFr1.5975, and at FFr6.0375 from FFr6.0550. According to the Bank of England, the dollar's index closed down 0.1 at 68.7.

Sterling advanced after the release of data that showed domestic demand is slowing while cost pressures remain subdued. Analysts said the prospect of high interest rates and lower inflation had tempted some investors to switch out of D-Marks and into sterling. Dealers noted sterling buying not only in London hut also from New York. Bnt a stronger sterling advance must await ths release of the November inflation figures on Friday. According to MMS International, the financial information company, the consensus of analysts' expectations is for an annual inflation rate of 7.8 per cent from 7.3 per cent in October.

Sterling closed at DM2.8075 from DM2.7975, at $1.5895 from $1.5795, at SFr2.5375 from SFr2.5225, at FFr9.5950 from FFr9.5650, and at Y229.50 from Y227.75. Sterling's index closed up 0.3 at 87.0.

The D-Mark closed for the first time since March 1981 clearly above SFr0.9000, reflecting worries that Swiss interest rates are not high enough to compensate for rising inflation, said Miss Miranda Cullen, European Economist at BZW. Miss Cullen said unless the Swiss anthorities tightened monetary policy, the D-Mark could rise to SFr0.9200. It closed at SFr0.9050, up 30 points from Friday.

£ IN NEW YORK

Dec.11	Latest	Previous Close
£ Spot	1.5825-1.5835	1.5820-1.5830
1 month	0.84-0.83pm	0.83-0.82pm
3 months	2.39-2.36pm	2.48-2.46pm
12 months	8.38-8.28pm	8.85-8.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.11	Previous
8.30 am	86.7	86.5
9.00 am	86.7	86.6
10.00 am	86.7	86.6
11.00 am	86.0	86.6
Noon	86.8	86.6
1.00 pm	86.8	86.7
2.00 pm	86.9	86.7
3.00 pm	87.0	86.7
4.00 pm	87.0	86.7

CURRENCY RATES

Dec.11	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.22287	1.37552
U.S Dollar	7	1.29056	1.15084
Canadian $	12.46	1.49911	1.33682
Austrian Sch.	6½	N/A	14.3349
Belgian Franc	10¼	48.0572	42.7566
Danish Krone	10½	8.89518	7.89879
Deutsche Mark	6.00	2.28455	2.03526
Neth.Guilder	7.00	2.58122	2.29685
French Franc	10¼	N/A	6.95683
Italian Lira	13½	N/A	1502.02
Japanese Yen	3¼	186.292	166.319
Norway Krone	8	8.76161	7.79694
Spanish Peseta	-	N/A	131.484
Swedish Krona	9½	8.20344	7.30553
Swiss Franc	6.00	2.05651	1.83732
Greek Drach.	20½	209.296	186.689
Irish Punt	-	0.865306	0.771755

‡ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Dec.8

CURRENCY MOVEMENTS

Dec.11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.0	-23.8
U.S Dollar	68.7	-9.2
Canadian Dollar	105.4	+2.4
Austrian Schilling	109.4	+11.9
Belgian Franc	108.8	-3.8
Danish Krone	107.8	+2.6
Deutsche Mark	117.7	+24.9
Swiss Franc	106.1	+14.8
Guilder	113.7	+16.4
French Franc	102.0	-13.8
Lira	100.2	-17.9
Yen	132.5	+63.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Dec.8.

OTHER CURRENCIES

Dec.11	£	$
Argentina	1032.05-1040.65	650.00-655.00
Australia	2.0250-2.0270	1.2760-1.2770
Brazil	12.8085-12.8820	8.0710-8.1120
Finland	6.6025-6.6150	4.1650-4.1670
Greece	254.25-258.75	160.85-163.45
Hong Kong	12.3945-12.4070	7.8090-7.8110
Iran	112.10*	71.20*
Korea(Sth)	1058.25-1075.35	671.30-676.50
Kuwait	0.47150-0.47290	0.29860-0.29930
Luxembourg	58.85-58.95	37.00-37.10
Malaysia	4.2965-4.3075	2.7100-2.7120
Mexico	4214.80-4233.35	2665.00-2665.00
N Zealand	2.6700-2.6760	1.6820-1.6850
Saudi Ar.	5.9220-5.9275	3.7505-3.7515
Singapore	3.0625-3.0680	1.9300-1.9320
S Af (Cm)	4.1125-4.1230	2.5900-2.5930
S Af (Fn)	6.1420-6.2715	3.8685-3.9500
Taiwan	41.60-41.70	26.20-26.25
U.A.E.	5.7980-5.8035	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Dec 11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	15-14¾	15⅛-15	15⅛-15	14⅞-14¾	14¾-14⅝
US Dollar	8½-8⅜	8½-8⅜	8⅝-8½	8½-8⅜	8⅜-8¼	8⅜-8¼
Can. Dollar	12¼-12	12¼-12	12¼-11⅞	12¼-11⅞	11⅞-11¾	11¾-11⅝
D. Guilder	8½-8⅜	8½-8⅜	8⅝-8½	8½-8⅜	8½-8⅜	8½-8⅜
Sw. Franc	7⅝-7½	7⅝-7½	8-7⅞	8-7⅞	8-7⅞	7⅞-7¾
Deutschemark	7⅝-7½	7⅞-7¾	8-7⅞	8⅛-8	8¼-8⅛	8¼-8⅛
Fr. Franc	10⅜-10¼	10⅜-10¼	10⅜-10¼	10⅝-10½	10⅞-10¾	10⅝-10½
Italian Lira	12-10	13-12	13¼-12¾	13¼-12¾	13-12¾	13¼-12¾
B. Fr. (Fin)	9⅞-9¾	9⅞-9¾	9⅞-9¾	9⅞-9¾	9⅞-9¾	9⅞-9¾
B. Fr. (Con)	9¾-9½	9⅞-9½	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞
Yen	6¼-6⅛	6⅜-6¼	6¾-6⅝	6⅝-6½	6⅝-6½	6½-6⅜
D.Krone	12¼-11¾	12¼-12⅛	12⅛-11⅞	12-11⅞	11⅞-11¾	11⅞-11¾
Asian $Sing	8⅜-8¼	8⅜-8¼	8⅝-8½	8½-8⅜	8⅜-8¼	8⅜-8¼

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8¾-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Dec.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5785-1.5900	1.5890-1.5900	0.92-0.90cpm	6.87	2.46-2.43pm	6.15
Canada	1.8355-1.8475	1.8455-1.8465	0.58-0.49cpm	3.48	1.30-1.13pm	2.63
Netherlands	3.13½-3.17¼	3.16¼-3.17¼	2-1⅞cpm	7.10	4⅞-4⅝pm	6.08
Belgium	58.70-59.20	58.85-58.95	31-26cpm	5.81	77-69pm	4.96
Denmark	10.84-10.91½	10.90¼-10.91¼	3⅜-3⅛orepm	3.58	8⅝-7⅝pm	2.93
Ireland	1.0580-1.0670	1.0635-1.0645	0.35-0.30ppm	3.67	0.80-0.70pm	2.82
W. Germany	2.79¼-2.81	2.80½-2.81	1⅞-1¾pfpm	7.75	4⅝-4½pm	6.50
Portugal	243.60-245.75	244.75-245.75	15-64cdis	-1.93	123-203dis	-2.66
Spain	180.55-181.70	181.00-181.30	3-14cdis	-0.56	21-35dis	-0.62
Italy	2062¼-2074¼	2072¼-2073¼	5-3lirepm	2.32	10-9pm	1.83
Norway	10.70-10.76½	10.74½-10.75½	3-2⅝orepm	3.14	7¼-6⅞pm	2.63
France	9.54¼-9.60¼	9.59-9.60	4⅛-4cpm	5.08	10¼-9⅞pm	4.19
Sweden	10.02¾-10.09¼	10.07¾-10.08¾	3¼-3⅛orepm	3.79	6¾-6⅜pm	2.60
Japan	228½-230	229-230	1⅞-1⅝ypm	9.15	4⅝-4½pm	7.95
Austria	19.68-19.80	19.75-19.78	11⅛-10⅝gropm	6.68	29⅞-27⅝pm	5.82
Switzerland	2.52-2.54½	2.53¾-2.54¾	1⅝-1½cpm	7.39	4⅛-3⅞pm	6.31
ECU	1.3700-1.3790	1.3780-1.3790	0.51-0.48cpm	3.74	1.32-1.28pm	3.27

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.00-59.10 Six-month forward dollar 4.85-4.80cpm 12 months 8.80-8.70cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5785-1.5900	1.5890-1.5900	0.92-0.90cpm	6.87	2.46-2.43pm	6.15
Ireland†	1.4900-1.4945	1.4920-1.4930	0.38-0.33cpm	2.86	1.28-1.18pm	3.30
Canada	1.1605-1.1635	1.1625-1.1635	0.31-0.35cdis	-3.41	1.00-1.08dis	-3.58
Netherlands	1.9905-1.9975	1.9920-1.9930	0.06-0.04cpm	0.30	0.01-0.05dis	-0.06
Belgium	37.00-37.20	37.00-37.10	2.50-4.50cdis	-1.13	10.00-14.00dis	-1.29
Denmark	6.84¼-6.87¼	6.86-6.86½	1.95-2.25oredis	-3.67	5.65-6.15dis	-3.44
W. Germany	1.7635-1.7705	1.7655-1.7665	0.14-0.12pfpm	0.88	0.15-0.12pm	0.31
Portugal	154.20-154.55	154.25-154.35	100-130cdis	-8.94	315-365dis	-8.81
Spain	114.00-114.35	114.10-114.20	68-78cdis	-7.66	195-205dis	-7.00
Italy	1302-1306¼	1303¼-1304¼	4.70-5.20liredis	-4.55	14.20-15.20dis	-4.50
Norway	6.76-6.78	6.76-6.76½	1.95-2.30oredis	-3.76	6.05-6.45dis	-3.69
France	6.03-6.05½	6.03½-6.04	0.85-0.95cdis	-1.79	3.00-3.20dis	-2.05
Sweden	6.33-6.35¼	6.34-6.34½	1.55-1.80oredis	-3.17	5.75-6.10dis	-3.73
Japan	144.40-144.75	144.40-144.50	0.29-0.27ypm	2.32	0.68-0.65pm	1.84
Austria	12.43¼-12.46¼	12.43¾-12.44¼	0.10pm-0.60gdis	-0.24	0.60-2.00dis	-0.42
Switzerland	1.5930-1.5985	1.5965-1.5975	0.13-0.08cpm	0.79	0.20-0.15pm	0.44
ECU	1.1480-1.1535	1.1510-1.1520	0.24-0.22cpm	2.55	0.71-0.68pm	2.41

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.10-37.20.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7566	+0.70	+0.70	±1.5424
Danish Krone	7.85212	7.89879	+0.59	+0.59	±1.6419
German D-Mark	2.05853	2.03526	-1.13	-1.13	±1.1019
French Franc	6.90403	6.95683	+0.76	+0.76	±1.3719
Dutch Guilder	2.31943	2.29685	-0.97	-0.97	±1.5019
Irish Punt	0.768411	0.771755	+0.44	+0.44	±1.6689
Italian Lira	1483.58	1502.02	+1.24	+1.24	±4.0815
Spanish Peseta	133.804	131.484	-1.75	-1.73	

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Dec.11	£	$	DM	Yen	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.590	2.808	229.5	9.595	2.538	3.168	2072	1.846	58.90
$	0.629	1	1.766	144.3	6.035	1.596	1.992	1303	1.161	37.04
DM	0.356	0.566	1	81.75	3.417	0.904	1.128	737.9	0.657	20.98
YEN	4.357	6.928	12.24	1000.	41.81	11.06	13.80	9028	8.044	256.6
F Fr.	1.042	1.657	2.927	239.2	10.	2.645	3.302	2159	1.924	61.39
S Fr.	0.394	0.626	1.106	90.43	3.781	1	1.248	816.4	0.727	23.21
H FL	0.316	0.502	0.886	72.44	3.029	0.801	1	654.0	0.583	18.59
Lira	0.483	0.767	1.355	110.8	4.631	1.225	1.529	1000.	0.891	28.43
C $	0.542	0.861	1.521	124.3	5.198	1.375	1.716	1122	1	31.91
B Fr.	1.698	2.699	4.767	389.6	16.29	4.309	5.379	3518	3.134	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
89	3-32	4-52	0-24	0-38
90	2-46	4-04	0-38	0-54
91	2-02	3-24	0-58	1-10
92	1-30	2-48	1-22	1-34
93	1-03	2-13	1-59	1-63
94	0-46	1-47	2-38	2-33
95	0-31	1-22	3-23	3-08

Estimated volume total, Calls 2112 Puts 191
Previous day's open int. Calls 9114 Puts 5633

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
96	3-51	4-12	0-21	0-60
97	2-63	3-33	0-33	1-17
98	2-13	2-58	0-49	1-42
99	1-39	2-23	1-09	2-07
100	1-09	1-57	1-43	2-41
101	0-49	1-31	2-19	3-15
102	0-32	1-10	3-02	3-58

Estimated volume total, Calls 100 Puts 50
Previous day's open int. Calls 992 Puts 759

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8950	1.88	2.26	0.26	0.51
9000	1.50	1.92	0.38	0.67
9050	1.16	1.61	0.54	0.86
9100	0.87	1.33	0.75	1.08
9150	0.64	1.08	1.02	1.33
9200	0.46	0.87	1.34	1.62
9250	0.32	0.69	1.70	1.94

Estimated volume total, Calls 353 Puts 519
Previous day's open int. Calls 15119 Puts 16514

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Dec	Calls-settlements Jan	Puts-settlements Dec	Puts-settlements Jan
145	13.75	13.75	0.00	0.02
150	8.75	8.75	0.00	0.21
155	3.75	4.07	0.11	1.12
160	0.50	1.45	1.94	3.50
165	0.01	0.34	6.45	7.39
170	0.00	—	11.44	—
175	0.00	—	16.44	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 241 Puts 16

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9125	0.38	1.00	0.01	0.03
9150	0.14	0.77	0.02	0.05
9175	0.02	0.56	0.15	0.09
9200	0.01	0.38	0.39	0.16
9225	0.00	0.23	0.63	0.26
9250	0.00	0.15	0.88	0.43
9275	0.00	0.07	1.13	0.60

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 5251 Puts 3389

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8450	0.46	1.36	0.01	0.07
8475	0.23	1.13	0.03	0.09
8500	0.04	0.92	0.09	0.13
8525	0.01	0.71	0.31	0.17
8550	0.00	0.55	0.55	0.26
8575	0.00	0.40	0.80	0.36
8600	0.00	0.29	1.05	0.50

Estimated volume total, Calls 1570 Puts 2355
Previous day's open int. Calls 62865 Puts 39799

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	99-14	99-18	99-13	99-18
Mar	99-13	99-18	99-13	99-17
Jun	99-09	99-09	99-08	99-11
Sep	99-02	99-02	99-02	99-01
Dec	98-24	98-24	98-24	98-24
Mar	98-13	98-13	98-13	98-14
Jun	-	-	-	98-05
Sep	-	-	-	97-29
Dec	-	-	-	97-21
Mar	-	-	-	97-13
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	92.46	92.48	92.45	92.47
Mar	93.30	93.31	93.29	93.29
Jun	93.45	93.47	93.45	93.45
Sep	-	-	-	93.43

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6260	0.6268	0.6256	0.6269
Mar	0.6265	0.6274	0.6263	0.6277
Jun	0.6270	0.6270	0.6268	0.6279
Sep	-	-	-	0.6282

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.6923	0.6923	0.6914	0.6932
Mar	0.6952	0.6954	0.6945	0.6964
Jun	0.6962	0.6970	0.6962	0.6990

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5654	0.5657	0.5651	0.5648
Mar	0.5658	0.5661	0.5655	0.5651
Jun	0.5656	0.5656	0.5645	0.5649

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	91.61	91.62	91.60	91.62
Mar	92.21	92.22	92.19	92.20
Jun	92.33	92.34	92.33	92.32
Sep	92.26	92.27	92.26	92.26
Dec	92.01	92.02	92.00	92.00
Mar	91.86	91.87	91.85	91.86
Jun	91.72	91.75	91.72	91.75
Sep	91.64	91.64	91.63	91.64

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	349.30	349.30	348.75	349.25
Mar	353.60	353.75	353.10	353.55
Jun	-	357.60	357.00	357.50

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5895	1.5804	1.5651	1.5413	1.5020

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.5858	1.5864	1.5800	1.5786
Mar	1.5614	1.5620	1.5564	1.5544
Jun	1.5358	1.5370	1.5330	1.5310

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	91-04	91-05	90-23	90-31
Mar	92-04	92-05	91-19	91-25
Jun	93-07			92-28

Estimated volume 15524 (12587)
Previous day's open int. 36925 (36762)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	99-15			99-18
Mar	99-15	99-16	99-14	99-18
Jun	99-08			99-11

Estimated volume 269 (1222)
Previous day's open int. 2869 (2811)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	91.12	91.17	91.06	91.11
Jun	91.25			91.26
Sep				

Estimated volume 5913 (27866)
Previous day's open int. 34337 (32256)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	103.91	103.93	103.85	104.11
Jun				
Sep				

Estimated volume 232 (294)
Previous day's open int. 765 (773)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	84.95	84.98	84.90	84.91
Mar	85.79	85.81	85.65	85.67
Jun	86.62	86.67	86.55	86.55
Sep	87.20	87.24	87.19	87.17
Dec	87.67	87.70	87.66	87.65
Mar	88.07	88.10	88.05	88.02
Jun	88.25	88.29	88.23	88.20
Sep	88.40	88.44	88.40	88.38

Est. Vol. (inc. figs. not shown) 29361 (20098)
Previous day's open int. 147990 (146856)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec	91.62	91.62	91.60	91.66
Mar	92.22	92.22	92.20	92.22
Jun	92.33	92.34	92.31	92.34
Sep	92.27	92.29	92.25	92.28
Dec	92.02	92.02	92.02	92.03
Mar	91.86	91.88	91.87	91.86
Jun	91.76	91.77	91.77	91.72
Sep	91.66	91.68	91.68	91.62

Est. Vol. (inc. figs. not shown) 3928 (9234)
Previous day's open int. 45921 (45262)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	91.84	91.88	91.83	91.83
Mar	91.87	91.90	91.86	91.88
Jun	91.98	92.03	91.98	92.00
Sep	92.04	92.08	92.04	92.06

Estimated volume 3262 (6448)
Previous day's open int. 33445 (33510)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	89.15	89.15	89.15	89.13
Mar	89.47	89.48	89.47	89.47

Estimated volume 63 (147)
Previous day's open int. 1086 (1071)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2361.0	2374.0	2355.0	2378.0
Mar	2410.0	2421.0	2404.0	2427.5
Jun	2450.0			2464.5

Estimated volume 5960 (3944)
Previous day's open int. 32168 (32264)

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
1.500	0.30	8.60	8.40	8.45	-	0.03	0.60	1.20
1.525	5.95	6.10	5.97	6.20	-	0.30	1.15	1.88
1.550	3.45	3.84	4.19	4.36	0.07	0.79	1.92	2.86
1.575	1.32	2.14	2.68	3.07	0.24	1.71	3.08	4.13
1.600	0.17	1.10	1.62	2.07	1.57	3.16	4.60	5.68
1.625	-	0.47	1.01	1.32	3.82	5.04	6.41	7.46
1.650	-	0.21	0.51	0.80	6.29	7.21	8.46	9.33

Previous day's open int: Calls 402,076 Puts 420,638 (All currencies)
Previous day's volume: Calls 11,684 Puts 8,206 (All currencies)

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 90 Vol	Feb. 90 Last	May. 90 Vol	May. 90 Last	Aug. 90 Vol	Aug. 90 Last	Stock
Gold C	$400	216	25	-	-	-	-	$416.90
Gold C	$420	363	13	7	23 b	-	-	$416.90
Gold C	$430	105	9.50	20	19.90	16	25	$416.90
Gold C	$440	50	6	-	-	10	21.50	$416.90
Gold C	$450	-	-	45	12	9	19	$416.90
Gold P	$430	30	19	-	-	-	-	$416.90
		Dec. 89		Mch. 90		Jun. 90		
Silver P	$550	-	-	120	14	-	-	$5.75
Silver P	$650	-	-	120	82	-	-	$5.75
		Dec. 89		Jan. 90		Feb. 90		
EOE Index C	FL. 295	52	5.70	23	10.50	-	-	FL. 299.84
EOE Index C	FL. 300	427	2	78	7.50	14	11 a	FL. 299.84
EOE Index C	FL. 305	609	0.80	44	5.10 b	-	-	FL. 299.84
EOE Index C	FL. 310	8	0.10	66	3.20	10	6	FL. 299.84
EOE Index C	FL. 320	-	-	40	1.20	-	-	FL. 299.84
EOE Index P	FL. 275	-	-	100	0.60	-	-	FL. 299.84
EOE Index P	FL. 280	22	0.20	46	1.30	6	2.20 b	FL. 299.84
EOE Index P	FL. 285	-	-	50	1.80	54	2.90	FL. 299.84
EOE Index P	FL. 295	89	0.70	65	4	14	5.40	FL. 299.84
EOE Index P	FL. 300	386	2.50	170	5.80	5	7	FL. 299.84
EOE Index P	FL. 305	36	5 b	26	8	-	-	FL. 299.84
£/Fl P	FL. 330	1000	14.20 a	-	-	-	-	FL. 316.93
$/Fl P	FL. 200	64	1.10	5	3.50	7	4.30 b	FL. 199.45
		Jan. 90		Apr. 90		Jul. 90		
ABN C	FL. 42.50	73	0.60	27	1.70	38	2.30	FL. 41.10
ABN P	FL. 37.50	-	-	-	-	100	0.60	FL. 41.10
Aegon C	FL. 115	49	2.30	3	6.30	-	-	FL. 113.40
Ahold C	FL. 145	-	-	31	4	-	-	FL. 135
Akzo C	FL. 135	17	3	284	7.30	-	-	FL. 134
Akzo P	FL. 140	95	6	10	6.50	5	10	FL. 134
Amev C	FL. 55	5	7.70	35	9	-	-	FL. 61.70
Amro C	FL. 85	2	0.70 b	47	2.50	3	3	FL. 79.70
Amro P	FL. 80	15	1.60	226	4	-	-	FL. 79.70
BUHRMANN-T C	FL. 60	50	7.20	-	-	10	9.20	FL. 67
BUHRMANN-T P	FL. 60	-	-	53	1	-	-	FL. 67
DAF N.V. C	FL. 50	80	0.70	3	2 a	-	-	FL. 45.40
N.V. DSM C	FL. 120	50	1.60	49	5.40	5	7	FL. 115
N.V. DSM P	FL. 115	70	2.50	25	4.20	-	-	FL. 115
Elsevier C	FL. 75	52	5.40	1	7.20	-	-	FL. 79.70
Elsevier P	FL. 75	109	0.60	2	2	-	-	FL. 79.70
Gist-Broc. C	FL. 35	66	0.70	6	1.90 a	-	-	FL. 33.20
Hoogovens C	FL. 90	985	3.30	54	7	12	9	FL. 87.50
Hoogovens P	FL. 80	203	1	15	3.20	20	5.50	FL. 87.50
KLM C	FL. 50	47	1.20	308	3.20	6	5	FL. 48.80
KNP C	FL. 55	43	0.80	178	2.70	8	3.40	FL. 52.90
KNP P	FL. 55	15	3	33	4.80	-	-	FL. 52.90
NEDLLOYD C	FL. 92	91	3.10	10	6.90	-	-	FL. 90.10
NEDLLOYD P	FL. 86	138	1.70	5	4.20	-	-	FL. 90.10
NMB C	FL. 48	318	1	22	2.60 b	2	3	FL. 46.90
NMB P	FL. 40	11	2.20	38	2.60	-	-	FL. 46.90
Nat.Ned. C	FL. 70	278	3.60	511	6.20	14	7.10	FL. 72.30
Nat.Ned. P	FL. 70	32	1 a	50	1.80	90	2.90	FL. 72.30
Philips C	FL. 50	2185	0.80	356	2.50	123	3.80	FL. 47.20
Philips P	FL. 50	38	3.20	422	5.20	9	5.30	FL. 47.20
Royal Dutch C	FL. 150	220	2	333	5.40	1	7	FL. 146.10
Royal Dutch P	FL. 135	-	-	150	1.90	2	3	FL. 146.10
Robeco P	FL. 105	120	1	-	-	-	-	FL. 107.70
Unilever C	FL. 160	138	3.60	41	7.50	-	-	FL. 159.50
Unilever P	FL. 160	111	3.30	9	6.10	5	7.60	FL. 159.50
Van Ommeren C	FL. 35	141	0.40	15	1.60	15	2.50 a	FL. 32
Wessanen C	FL. 70	5	1.10	26	2.50	40	3.80	FL. 64.90

TOTAL VOLUME IN CONTRACTS : 27,091
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Key rate eases

UK MONEY market rates were steady yesterday as sterling edged higher after data that showed the economy is continuing to slow.

The key three-month interbank rate was quoted at 15⅛-15 per cent, compared with 15¼-15⅛ on Friday. In the futures market, short sterling moved higher, with the March contract up 12 basis points at 85.67.

Over the past week, money rates have eased slightly, with the three-month rate down ⅛ percentage point as the pound strengthened. But analysts say it is still too early to talk about a cut in rates. Money rates up to six months forward are still quoted at or above 15 per cent, the current hase rate level; only nine months money is quoted below that level.

UK clearing bank base lending rate 15 per cent from October 5

Initially, the Bank of England forecast a flat position in the money market, which included an allowance for water privatisation receipts. During the the Bank revised its forecast to a shortage of around £100m, hut did not purchase any bills. In the afternoon it also did not operate, though it provided late assistance of around £30m to the money markets.

Factors draining liquidity included a take-up of Treasury hills and maturing assistance of £640m, bills for repurchase by the market £195m, and bankers balances £25m below target. But this was offset by Exchequer transactions of £330m and a fall in the note circulation of £530m.

In Frankfurt call money rates firmed slightly to 7.60-7.70 from 7.50-7.60 per cent on Friday. Frankfurt dealers said rates had risen as December's tax payments were being met, thus draining liquidity from the markets. The seasonal increase in demand for cash before Christmas has prompted an outflow of funds from the banking system, and this has also nudged short rates higher.

Analysts said that as the factors that had drained liquidity yesterday were likely to persist this week, call money rates could edge slightly higher.

In New York the Federal Reserve refrained from open market operations. This had been expected by the market and analysts said the Fed's absence did not carry any policy implications. At the usual time of the Fed's daily operations, Federal Funds were quoted at 8⅛ from 8¼ per cent on Friday. Analysts said they did not expect any easing in rates at least until later in the month.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.11) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed.funds	8⅛
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	8.07	Three year	7.75
Two month	7.63	Four year	7.80
Three month	7.84	Five year	7.74
Six month	7.70	Seven year	7.82
One year	7.70	10-year	7.83
Two year	7.78	30-year	7.89

Dec.11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.60-7.70	7.85-8.00	7.90-8.05	7.90-8.05	7.95-8.15	8.00
Paris	10⅜-10½	10⅜-10½	10⅜-10½	10⅝-10¾	10⅝-10¾	9.50
Zurich	7¼-7½	7⅝-8	-	7⅝-8	-	-
Amsterdam	8.56-8.68	8.48-8.50	-	8.45-8.50	-	-
Tokyo	6⅜-6⅜	6⅝-6⅞	-	6½-6⅝	-	-
Milan	12¼-12½	12¾-13¼	-	12¾-13¼	-	-
Brussels	7.10	9⅞-9⅞	-	9¾-10	-	-
Dublin	11-11¼	11⅝-11¾	11⅞-12⅛	12⅛-12¼	12⅛-12⅜	-

LONDON MONEY RATES

Dec 11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	15	15⅛	15⅛	15⅛	14⅞
Interbank Bid	14⅞	14¾	15	15	14⅞	14⅝
Sterling CDs	-	-	15⅛	15⅛	14⅞	14⅝
Local Authority Deps	14⅞	14⅞	15	15	14⅞	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	15	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15	14⅞
Finance House Deposits	-	-	15⅛	15⅛	15⅛	14⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs	-	-	8.72	8.37	8.15	8.10
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9	8⅞
SDR Linked Dep. Bid	-	-	8⅞	8⅞	8¾	8⅝
ECU Linked Dep. Offer	-	-	10⅞	10⅞	10¾	10⅝
ECU Linked Dep. Bid	-	-	10¾	10¾	10⅝	10½

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.4976 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30 1989. Agreed rates for period December 26 1989 to January 23, 1990, Scheme I: 15.87 p.c. Schemes II & III: 16.43 p.c. Reference rate for period Nov.1,1989 to November 30, 1989. Scheme IV&V: 15.148 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from December 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Comm. Bk.N.East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Associates Cap Corp	14	Duncan Lawrie	15	Roxburghe G'rantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williams Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co	15	TSB	15
Bank Credit & Comml	15	Robert Fraser & Ptnrs	15½	United Bk of Kuwait	15
Bank of Cyprus	15	Girobank	15	United Mizrahi Bank	15
Bank of Ireland	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of India	15	HFC Bank plc	15	Western Trust	15
Bank of Scotland	15	● Hambros Bank	15	Westpac Bank Corp	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Yorkshire Bank	15
Beneficial Bank PLC	15	● Hill Samuel	§15		
Brit Bk of Mid East	15	C. Hoare & Co	15		
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		
		NatWestminster	15		

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COMPANY NOTICES

RM
RAND MINES GROUP
(All companies incorporated in the Republic of South Africa)

DIVIDEND DECLARATION

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED
(Company Registration No. 05/09743/06)

Notice is hereby given that dividend No. 87 of 5 cents per share has been declared in South African currency, as an interim dividend in respect of the year ending 30 June, 1990, payable to members registered at the close of business on 29 December, 1989. The register of members will be closed from 30 December, 1989 to 7 January, 1990, inclusive. Dividend warrants will be posted on or about 28 January, 1990.

The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom registrars and transfer agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 30 December, 1989, on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the Johannesburg or United Kingdom offices of the company.

DURBAN ROODEPOORT DEEP, LIMITED (Company Registration No. 01/00926/06) EAST RAND PROPRIETARY MINES, LIMITED (Company Registration No. 01/00773/06)	The boards of directors of these companies have decided not to declare dividends for the year ending 31 December, 1989.

By order of the Boards,
RAND MINES (MINING & SERVICES) LIMITED,
Secretaries,
per V M MURTON.

Registered Office
15th Floor - The Corner House
63 Fox Street
Johannesburg 2001
(P O Box 62370, Marshalltown, 2107).

Secretaries in the United Kingdom
Viaduct Corporate Services Limited
40 Holborn Viaduct
London EC1P 1AJ.

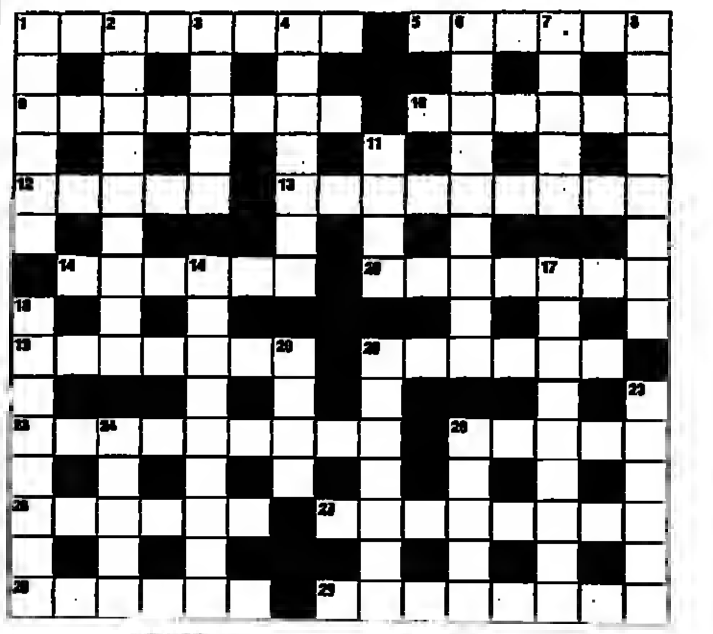
United Kingdom Registrars,
Transfer and Paying Agents
Barclays Registrars Limited
5 Greencoat Place
London SW1P 1PL.

11 December, 1989.

JOTTER PAD

CROSSWORD

No.7,113 Set by FRESCA



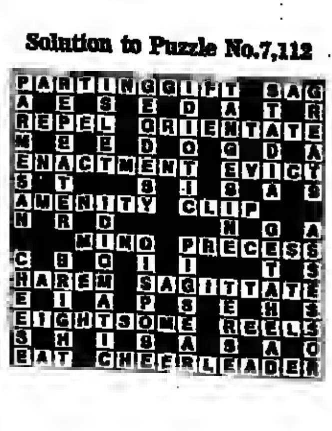
ACROSS

1 Creator at make-up at art centre (8)
5 26-born 1 across presents wrong end for Henry to grasp (6)
9 Showily or neatly turned out (8)
10 Pole follows German 1 across for Austrian 1 across (6)
12 French 1 across one put money on without resistance (5)
13 Italian 1 across to force teacher back for old copper's coat (9)
14 American 1 across an engine-driver? (6)
16 Displayed in a can this suggests flowers (7)
19 East German city backer the French promote (7)
21 Transport over one Italian 1 across (6)
23 Synthetic resin given, we hear, by one girl to another (9)
25 Diver throttled back source of Roman fountain (5)
26 English 1 across not English? (6)
27 Sticker she redesigned for use in a disreputable bar (8)
28 Really trendy action! (6)
29 Gets excited like this: seen cavorting about (8)

DOWN

1 Many jump aboard a 1 across from Poland (6)
2 Follower of a hereditary theory, Scot supports just over half of German 1 across (9)
3 Month cut short by extra-terrestrial prodnct of 1 across (5)
4 Quick way to support printer's measure? Cheer! (7)
6 Statesmen dealing in cameras? (9)
7 Musical ability — by doctor considered dull (5)
8 A fault at the cliff edge? (8)
11 One of the best artists standing for a creation of a 1 across (4)
15 A late brew served for the convenience of diners? (9)
17 Princess attempts to take over leather factories (9)
18 Hires out farm animal in Italian 1 across (8)
20 English painter decapitates mole! (4)
21 Russian 1 across fails to finish battle (7)
22 Several died to take in American 1 across (6)
24 Old town depicted in cover that's sensational (5)
25 "Bid them wash their faces — And keep their —— clean" (Shakespeare) (5)

Solution to Puzzle No.7,112



WORLD STOCK MARKETS

AUSTRIA

December 11	Sch	+ or −
Austrian Airlines	2,690	+120
Creditanstalt	4,025	+55
Goesser	5,220	+20
Interunfall	25,050	
Jungbunzlauer	17,800	+800
Laenderbank	585	+10
Perlmooser	1,450	+30
Reininghaus	2,245	+95
Semperit	175	+5
Steyr-Daimler	120	+1
Veitscher Mag	990	+22
Verbund	306	—

BELGIUM/LUXEMBOURG

December 11	Frs.	+ or −
Arbed	5,600	−160
B.B.L.	3,600	+30
Bank Intl. a Lux	15,550	—
Banque Gen. Du Lux	14,650	—
Banque Nat. Belg	36,000	−25
Bekaert B	16,275	+50
Ciment CBR	7,850	−50
Cobepa	6,800	+50
Do. AFV 1	5,870	−30
Cockerill	203	−18
Colruyt	18,175	−50
Delhaize	5,900	—
EBES	4,580	+20
Do. AFV 1	4,415	—
Fabrique Nat	560	−10
GIB Group	1,368	
Do. AFV	1,318	−12
GBL (Brux.)	4,615	−5
Do. AFV 1	4,600	−5
Do. AFV 2	4,600	−5
Gechem	1,016	—
Do. AFV	950	—
Generale Bank	5,850	
Do AFV 1	6,080	−10
Do. AFV 2	6,100	−100
Gevaert	8,100	+50
Hoboken	21,850	−1,925
Do. AFV	21,000	−1,050
Intercom	3,675	+10
Do. AFV 1	3,620	—
Do. AFV 2	3,630	+10
Kredietbank	4,605	+5
Do. AFV	4,630	−20
Pan Holdings	13,900	—
Petrofina	11,975	—
Raffinerie Tirle	3,220	+20
Royale Belge	6,380	−20
Do. AFV 1	6,300	−50
Do. AFV 2	6,400	−110
Soc Gen Belge	3,475	−25
Do. AFV	3,495	−10
Sofina	14,850	+175
Solvay	14,975	+50
Stanwick Intl	180	—
Tessenderlo	10,325	−100
Do. AFV	10,200	−100
Tractebel	9,340	−20
Do. AFV 1	9,160	—
Do. AFV 2	9,190	−60
UCB	20,575	−1,225
Do. AFV	19,975	−25
Unerg	2,540	+15
Do. AFV 1	2,520	+5
Do. AFV 2	2,535	+10
Wagons Lits	8,800	−150
Do. AFV	8,200	—

DENMARK

December 11	Kr	+ or −
Baltica Hldgs	741.6	
Carlsberg	1523.8	+1.3
Cop Handelsbank	291.3	−0.7
Danisco	927.3	+9.3
Den Danske Bank	373.4	−3.1
East Asiatic	286.6	−6.6
FLS Inds. B	712.45	−4.55
GN Great Nordic	810	−9.5
I.S.S. B Systems	819.2	+9.2
Jyske Bank	437.6	+0.9
Kordisk Kabel	505	−5
Novo Nordisk	340.1	−3.9
Privatbanken	305.4	−0.1
Royal C'hagen A	484	−1
Sophus Berendsen	1197.4	−5.6
Superfos	5,661	—

FINLAND

December 11	Mka	+ or −
Amer	155.5	−2.5
Cultor	91.75	−1.75
Enso-Gutzeit A	30.7	+0.2
Enso-Gutzeit R	23.5	+0.2
Huhtamaki f Free	89	+0.5
Huhtamaki I Free	165	+2
KOP	53.5	+0.75
Kone	530	+2.5
Kymmene	97.5	−0.25
Nokia	103.5	−4
Pohjola 'B'	84.5	+2
Rauma-Repola	35.5	+0.5
Sampo	397.5	—
Stockmann 'B'	200	−2.5
UBF 'C'	29.75	−1
Utd. Paper Prf.	103.5 ‡	—
Wartsila (s1l)	347.5	−2.5

FRANCE

December 11	Frs.	+ or −
Accor	907	+2
Afrique Occident	651	+8
Air Liquide	668	−2
Arjomari-Prioux	3,030	−50

FRANCE (continued)

December 11	Frs.	+ or −
Auxiliaire d'Ent	1,010	+32
BIC	750	+20
BSN	756	−11
Bancaire Cie	660	−15
BNP (Cert.Inv.)	450	−6.8
Beghin-Say	675	+1
Do. Certs	509	−1
Bongrain	3,147	+7
Bouygues	693	−2
CCIP	1,588	+17
CMB Packaging	243.5	−4.5
Carrefour	3,650	+5
Casino	215.1	−3.9
Cetelem	650	—
Chargeurs	1,320	+51
Ciments Fr.	1,661	−19
Club Mediterranee	630	+9
Cofimeg	425	—
Copifi	390	−5
CGE	513	−5
Coparex	350	—
Cred Foncier Fr	1,336	−34
Credit National	1,150	+7
Damart	4,320	−110
Docks de France	5,000	+1
Dollfus-Mieg	589	+17
Dumez S.A.	951	−2
Eaux (Cie Gen)	2,379	+49
Ecco	918	+3
Electrofin're	1,101	−15
Elf-Aquitaine	510	−3
Do. Certs	420	−5
Epeda-Bertrand	1,350	−30
Essilor	3,098	+73
Eternit (Fin.)	2,215	+25
Eurafrance	2,698	+16
Eurocom	2,000	—
Euro Disneyland	91	—
Euromarche	4,355	+10
Exor	1,984	+53
Finextel	289	−1
Fonciere Lyonn	933	−1
Fromageries	2,350	+30
GTM-Entrepose	1,168	−30
Gaumont (Soc N)	707	+27
Gen Geophysique	891	−9
Gen.Occidentale	788	−2
Hachette	406	−4
Havas	1,445	−14
Imetal	336.1	+2.1
Immeubles de Fr	1,525	+1
Immobanque	775	+15
Industrielle	9,580	−300
Interbail	505	−3
Intertechnique	1,840	−10
LVMH	5,200	+30
Lafarge Coppee	1,518	−5
La Henin	671	+1
L'Oreal	4,885	+35
Legrand	3,525	−30
Locafrance	528	+8
Lyonn. des Eaux	530	+2
Maisons Phenix	82.6	−0.9
Matra S.A.	395.1	−4.9

GERMANY (continued)

December 11	Dm.
Bayer	279.5
Bayer-Hypo	407
BMW	547
Bayer-Verein	380
Beiersdorf	675
Berliner Kraft	134
BHF-Bank	426
Bilfinger & Berg	665
Brown Boveri	610
Colonia Versich	1,150
Do. Pref.	980
Commerzbank	270.5
Continental AG	332.5
DLW	713
Daimler-Benz	709.5
Dechel (Fr.)	243
Degussa	516
Deutsche Babcock	241.5
Deutsche Bank	766.5
Didier-Werke	276.5
Douglas Hldgs	740
Dragerwerk	331
Dresdner Bank	398.5
Fag Kugelfischer	416
Feldmuehle Nobel	525
Gerresheimer	306
Goldschmidt (TH)	470
Hamburg Elekt.	163
Hapag Lloyd	385
Heidelberger Zem	1,380
Henkel Pref.	567.5
Herlitz	260
Hochtief	985
Hoechst	289.6
Hoesch	289
Holzmann (P)	1,175
Horten	326
Industriekredit	229
Industrie Werke	360.5
Kali & Salz	222
Karstadt	643
Kaufhof	649
KHD	216.5
Kloeckner Werke	170.2
Kraft Werke Rh	324
Lahmeyer	1,160
Leifheit	700
Linde	866
Lufthansa	194.5
Do. B/V Pref.	165.5
MAN	415.5
Do. Pref.	339.5
Mannesmann	329.5 xr
Mannheimer Vers.	955
Mercedes Hld	556
Metallgesell	529.8 xr
Merck Finck	2,260 xr
Nixdorf	363
PWA	295
Philips Kommun.	572
Porsche	815
Preussag	400
Rheinelektra	1,890
Rhein West Elect	395.5

INDICES

NEW YORK

DOW JONES	Dec 8	Dec 7	Dec 6	Dec 5	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2721.23	2720.78	2736.77	2741.68	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.42	93.44	93.64	93.57	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1209.46	1211.06	1213.73	1220.84	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	228.75	227.55	227.68	228.06	228.18 (4/12)	181.84 (24/2)	228.18 (4/12/89)	10.50 (8/4/32)

♦Day's High 2750.85 (2756.83) Low 2716.51 (2702.01)

STANDARD AND POOR'S

	Dec 8	Dec 7	Dec 6	Dec 5	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	348.69	347.59	348.55	349.58	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	399.22	397.90	398.71	399.71	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	31.64	31.66	31.90	32.24	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	192.92	192.38	192.82	193.19	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	375.45	375.09	375.83	374.88	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	456.24	457.20	456.67	458.55	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 1	Nov 24	Nov 17	year ago (approx.)
Dow Industrial Div. Yield	3.87	3.97	3.93	3.79

	Dec 8	Nov 29	Nov 22	year ago (approx.)
S & P Industrial div. yield	2.92	2.96	2.98	3.15
S & P Indl. P/E ratio	14.82	14.59	14.51	12.86

NEW YORK ACTIVE STOCKS

Dec 8	Stocks traded	Closing price	Change on day
Fannie Mae	7,316,500	34⅛	− 2
Global Marine	6,529,700	3⅝	+ ⅛
Pinnacle	5,091,900	11	+ ⅛
Pfizer	2,329,600	69⅛	− 4⅝
Texaco	1,750,400	11⅛	− 2⅞
La Gear	1,373,400	30⅛	− 3⅛
Fed Home	1,321,100	72⅝	− 3⅞
Fst. Intrstate	1,306,200	45⅛	− 2⅞
Chevron	1,239,600	66⅞	+ ¾
IBM	1,227,700	96⅞	− 1⅛

TRADING ACTIVITY

† Volume	Millions Dec 8	Millions Dec 7	Millions Dec 6
New York	144.510	161.980	145.850
Amex	12.763	13.454	12.366
NASDAQ	128.145	143.977	143.951
Issues Traded	(u)	1,976	1,971
Rises	812	611	700
Falls	647	838	755
Unchanged	(u)	527	516
New Highs	(u)	61	71
New Lows	(u)	36	45

CANADA

TORONTO	Dec 8	Dec 7	Dec 6	Dec 5	1989 HIGH	1989 LOW
Metals & Minerals	3314.66	3325.62	3344.30	3369.31	3919.2 (1/9)	3207.5 (3/1)
Composite	3982.73	3969.45	3951.66	3939.84	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2021.04	2019.01	2015.30	2007.53	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 11	Dec. 8	Dec. 7	Dec. 6	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1615.8	1626.1	1634.5	1639.6	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	801.0	803.4	804.2	802.3	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	459.09	(c)	452.51	437.92	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6507.61	6547.91	6587.42	6575.49	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	356.75	356.26	359.39	360.93	360.93 (6/12)	275.49 (27/2)
FINLAND						
Unitas General (1975)	615.2	613.7	621.3	(c)	805.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	551.3	547.6	547.8	542.6	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	127.1	126.6	126.3	125.7	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	693.97	691.26	700.14	695.74	700.14 (7/12)	535.78 (27/2)
Commerzbank (1/12/53)	2047.6	2045.3	2068.9	2054.4	2068.9 (7/12)	1595.7 (27/2)
DAX (30/12/87)	1653.70	1650.79	1664.08	1658.35	1664.08 (7/12)	1272.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2763.33	2754.11	2770.00	2756.39	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1727.77	1717.20	1723.46	1732.79	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	664.52	(c)	669.22	667.07	734.84 (30/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	37752.67	37724.06	37858.11	37654.29	37858.11 (7/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2873.66	2871.93	2879.02	2867.32	2879.02 (7/12)	2366.91 (6/1)
2nd Section (4/1/68)	3794.59	3779.96	3767.02	3754.16	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	263.7	263.8	263.2	262.3	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	202.3	202.3	202.0	201.3	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	659.79	654.54	643.30	640.18	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1211.82	(c)	(c)	(c)	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1448.54	1444.96	1445.54	1443.33	1448.54 (11/12)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2208.0φ	2162.0	2168.0	2117.0	2208.8 (11/12)	1291.0 (15/2)
JSE Industrial (28/9/78)	2778.0φ	2750.0	2725.0	2659.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	844.75	864.50	874.94	883.27	1007.80 (3/4)	844.75 (11/12)
SPAIN						
Madrid SE (30/12/85)	303.85	(c)	304.56	(c)	328.93 (13/9)	268.62 (1/5)
SWEDEN						
Jacobson & P. (31/12/56)	4072.9	4070.3	4007.4	4000.6	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	770.6	770.9	772.6	770.4	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	8176.08	8513.80	8123.50	8283.56	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	793.88	783.80	785.40	793.88 (8/12)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	556.6	556.7	557.7	557.7 (7/12)	487.6 (13/6)

**Saturday Dec. 9: Taiwan Weighted Price: 8408.17 Korea Comp Ex. 850.02.

φ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday December 11 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo M Id	33.4m	918	+12	Nippon Oil	12.4m	1,880	+40
Sumitomo M M	31.4m	2,360	+20	Nippon Mining	11.9m	1,020	+56
Kobe Steel	15.4m	883	+5	Sekisui Chmcl	11.3m	1,810	+20
Mitsubishi	14.4m	1,830	+60	Marubeni	10.9m	9,130	+350
Tokyu	13.9m	2,910	+40	Ishihara Sangyo	10.0m	986	+13

2pm prices December 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		− A − A − A −								
27½	23	AAR	.48	1.4	20	373	39⅜	39¼	39⅜	− ¼
9⅝	8⅜	ACM s	1.01	11.		139	9⅜	9¼	9⅜	
11⅝	10¼	ACMIn	1.26	11.		x395	11⅛	11⅛	11⅛	
10	8	ACM M	a1.01	11.		499	9	8⅞	8⅞	− ⅛
11½	10	ACM Sc	1.26	11.		607	11⅛	11⅛	11⅛	
9⅞	8⅞	ACMSp	1.01	11.		823	9⅜	9¼	9¼	+ ⅛
18	11½	AL Lab	.12	.7	10	284	17	16⅞	17	
4⅛	3¼	AMCA	.12e	3.4	23	44	3⅝	3⅝	3½	
6⅜	4⅛	AM Intl			9	1706	4⅜	4⅛	4⅛	
20½	18½	AM In pf	2	11.		4	18⅝	18½	18⅝	− ⅛
107⅛	61½	AMR			7	1517	64⅛	63⅛	63⅞	− ⅝
6½	3⅜	ARX				181	3⅝	3⅜	3⅝	
57½	37⅞	ASA	3a	6.1		1811	u59⅛	57⅞	59	+3⅛
30⅝	18⅛	AVX	.24	.8	39	593	29⅝	29⅜	29⅜	
70⅜	46⅞	AbtLab	1.40	2.2	18	7482	67	64⅛	64⅛	−2⅝
19⅛	12⅛	Abitibi g	1			67	13⅛	12⅞	12⅞	− ⅛
18	7⅞	AcmeC	.40	3.8	13	206	10½	10⅜	10½	+ ⅛
9⅛	8	AcmeE	.32	3.8	11	80	8½	8½	8½	
30½	25	Acuson			21	2046	31½	30⅞	31	−1⅛
15⅜	15⅞	AdaEx	2.06e	13.		83	15½	15⅜	15⅜	− ⅛
12⅝	8½	Adobe				231	13⅞	12⅛	12⅛	+ ⅛
19⅞	18½	Adob pf	1.84	9.9		18	18½	18½	18½	
21⅝	19⅞	Adob pf	2.40	11.		8	21⅛	21	21	− ⅛
18½	7⅛	AMD				2022	7⅞	7⅝	7⅝	− ⅛
35	28½	AMD pf	3	10.		562	29½	29⅛	29½	− ⅛
18⅛	6⅝	Advest	.16	1.9	13	25	8⅞	8⅞	8⅞	− ⅛
62½	48	AetnLf	2.76	4.6	16	559	61	60⅛	60⅛	− ½
14	11⅛	AflPb	.24	2.1		234	11½	11⅛	11⅛	− ⅛
20	15⅛	Ahmans	.88	4.8	9	1638	18½	18⅛	18⅛	− ⅛

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Close	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

3pm prices December 11

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sa-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 11

FINANCIAL TIMES
Tuesday December 12 1989

AMERICA

Technology issues push Dow lower

Wall Street

WEAKNESS IN technology issues led the equity market lower yesterday in quiet trading, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 11.30 points lower at 2,720.14 on low volume by midsession of only 88m shares. On Friday the Dow closed 10.66 points higher at 2,731.44.

Among other indices, the broad-based Standard & Poor's 500 index was quoted modestly lower at midsession, the Nasdaq Composite was sharply down because of weakness in computer issues, but the American Stock Exchange Index was virtually flat.

A number of downgradings by Wall Street analysts of computer issues was at the root of yesterday's weakness in technology stocks.

International Business Machines was not one of the stocks featured by analysts but nevertheless had dropped $1⅝ to $95⅝ by midsession, its lowest position since 1983. The two stocks most hurt were Compaq Computer which dropped $4⅛ to $81¼ on the New York Stock Exchange and Apple Computer which fell $3 to $38¾ in over-the-counter trading.

Compaq was undermined by news late on Friday that First Boston had downgraded its investment rating.

Apple Computer was hurt by news that Goldman Sachs, had downgraded its investment rating to "hold" from "buy" and lowered his fiscal 1990 earnings estimate to $4.10 a share from a previous estimate of $4.50.

Among other technology issues dragged lower yesterday was Digital Equipment which fell $1⅞ to $83⅞, Hewlett-Packard which slumped $1⅛ to $45⅝ and Intel which dropped $⅞ to $33 in over-the-counter trading.

Outside the technology sector, there was little of interest, although there was a modest undermining effect from the Treasury bond market which had slipped by about ⅛ point at the long end of the yield curve by midsession.

Friday's employment figures, including a sharp downward revision in the gain in the non-farm payroll in October, had revived hopes that the US Federal Reserve would finally feel justified in lowering its Fed Funds target to 8¼ per cent from 8½ per cent.

However, the Fed did not operate in the money market yesterday with Fed Funds at 8½ per cent. Observers interpreted this as a sign that policy remains on hold.

If the Fed had wanted to signal easier policy, it would have added reserves to the banking system to undermine the Fed Funds rate.

Unless there is a burst of end-year buying as money managers with underweight positions in equities adjust their portfolios, there seems little to give the stock market momentum.

If there is no easing before the end of the year, this could start to undermine confidence.

Blue chip issues were generally weaker. General Motors slipped $⅝ to $44⅝, Philip Morris dipped $¼ to $41⅞, General Electric lost $⅛ to $62¾ and FW Woolworth lost $¼ to $60⅞.

Among featured individual stocks was LIN Broadcasting which fell $1⅞ to $122½ in over-the-counter trading as it reached a definitive agreement to be acquired by McCaw Cellular Communications whose A shares fell $⅛ to $39. BellSouth, which formally announced that it was out of the bidding, added $⅞ to $54⅛.

Canada

LACK OF interest ahead of US economic figures due, later in the week, left Toronto drifting in the wake of the downward trend on Wall Street.

The composite index fell 9.4 to 3,973.4 on volume of 14.4m shares as declines led advances by 238 to 227.

Connaught BioSciences gained C$¼ to C$ 33½. Investment Canada, the government investment review agency, will decide later this week if the two bids for the vaccine manufacturer will produce a net benefit for Canada.

Pace-setters sprint for finish line

MARKETS IN PERSPECTIVE

	% change in local currency [1]				% change in sterling [1]
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+6.27	+3.43	+66.26	+65.51	+90.47
Belgium	-0.11	+2.26	+12.65	+9.91	+26.06
Denmark	-0.01	+4.16	+47.00	+37.31	+56.81
Finland	+4.83	+3.59	-4.09	-0.77	+13.28
France	+2.89	+8.35	+34.37	+28.35	+47.06
West Germany	+2.41	+7.00	+27.65	+25.14	+43.48
Ireland	+1.20	+4.98	+34.11	+30.27	+47.46
Italy	+0.09	+1.90	+11.51	+9.09	+24.94
Netherlands	+1.80	+5.37	+26.93	+21.86	+39.79
Norway	+3.52	+5.40	+49.95	+39.12	+54.46
Spain	+0.27	+0.73	+8.03	+8.54	+23.18
Sweden	+2.18	-0.88	+27.85	+25.36	+38.49
Switzerland	-0.89	+3.96	+26.57	+24.50	+34.12
UK	+2.21	+6.19	+31.83	+28.50	+28.51
EUROPE	+1.84	+5.54	+27.93	+24.61	+34.16
Australia	+0.43	-0.20	+12.04	+11.01	+16.73
Hong Kong	-0.51	-0.91	+5.06	+3.65	+18.63
Japan	+1.71	+8.27	+21.82	+18.72	+17.86
Malaysia	+2.46	+10.09	+50.76	+48.13	+69.89
New Zealand	-3.59	-2.85	+21.14	+15.37	+24.53
Singapore	+2.76	+7.08	+39.90	+35.85	+56.43
Canada	+0.30	+0.59	+20.82	+17.19	+37.86
USA	-0.59	+2.44	+25.30	+24.87	+43.01
Mexico	+4.53	+4.15	+96.45	+113.57	+110.46
South Africa	+4.66	+10.06	56.04	+59.52	+77.43
WORLD INDEX	+0.97	+4.65	23.96	+21.57	+29.44

[1] Based on December 8th 1989. Copyright. The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By Alison Maitland

THE STOCK markets that look set to scoop the medals at the end of the year got a fresh boost of adrenalin last week to improve their lead in the final lap of the global race.

Austria was out in front again, spurting ahead by 6.3 per cent over the week. After falling behind in October and November, the bourse is up only 3.4 per cent over the past four weeks. But its gain since the start of the year is 65.5 per cent in local currency terms, and an astonishing 90.5 per cent for sterling investors.

Driven by foreigners, Austria holds second place so far this year behind Mexico, which pushed its local currency gain to 113.6 per cent with a rise last week of 4.5 per cent.

South Africa, in third place with a 59.5 per cent climb this year, rebounded by 4.7 per cent last week as foreign demand pushed up both gold and industrial shares.

The Malaysian market added 2.5 per cent to take its advance this year to 48 per cent, while Norway was pushed up 3.5 per cent by firm oil prices, larger-than-expected oil reserves, and domestic institutional interest in industrial shares. This leaves it 39 per cent better so far this year.

Europe had a strong week overall, the index rising 1.8 per cent. The main contributions came from France, Germany and the UK, up 2.9 per cent, 2.4 per cent and 2.2 per cent respectively.

Paris enjoyed a seasonal rally, with volumes and blue chip shares picking up and a good set of September trade figures helping the mood. Germany, although behind France in terms of the index, saw a surge in volume to record levels as the car, construction, engineering and retail sectors savoured the promise held out by the changes sweeping Eastern Europe.

The UK was helped by the enthusiastic response to the water privatisation issue.

In spite of Europe's strength, and a 1.7 per cent advance in Japan, the FT-Actuaries World Index rose by less than 1 per cent, held back by a lacklustre performance on Wall Street.

ASIA PACIFIC

Yen's weakness and price worries hold Nikkei back

Tokyo

THE YEN'S weakness and concern over the high level of prices undermined sentiment, but the Nikkei average managed a marginal gain in sluggish trading thanks to selective interest in special situations, *writes Michiyo Nakamoto in Tokyo.*

Shares fell slightly in early trading but then gained almost 100 points by the morning close. The Nikkei average moved between a high of 37,840.37 and a low of 37,688.00 before closing with a token gain of 28.61 at 37,752.67.

Advances at 444 were slightly fewer than falls at 472, while 214 issues were unchanged. Turnover reflected the cautious tone, falling to 738m shares from the 850m traded on Friday. The broad-based Topix index made a modest gain, rising only 1.73 to 2,873.66. In London the ISE/Nikkei rose 1.43 to 2,167.00.

Demand for equities was supported by expectations of further price rises ahead. An estimated Y350bn worth of investment trusts are expected to flow into the market this week, followed by a further Y580bn from next week to the end of the month, according to one of the big securities firms.

The quick pace and selective nature of yesterday's buying in a wide variety of stocks reflects the short-term character of the market, a feature typical of the closing weeks of the year, said Mr Yoshio Shimoyama of Nikko Securities.

A case in point was Maruetsu, a supermarket chain, which jumped Y350 to Y3,130 in active trading. There has been speculation that Shuwa, a real estate company which has accumulated a big stake in Maruetsu, would force Daiei, another retailer which also has a large shareholding, to buy back its shares at an inflated price. Yesterday, however, Maruetsu's popularity stemmed largely from its reputation as a speculative issue subject to rapid price movements, said Mr Hiroshi Taguchi of Nomura Securities.

Oil companies were boosted by talk that the Soviet Union would have to sell gold or oil to raise much-needed hard currency and that Western support for perestroika was pushing up gold prices and would also support a rise in oil prices. Mr Taguchi described the argument as flimsy, saying there was no evidence that any country was buying gold or oil in order to raise the price. Nippon Oil rose Y40 to Y1,880 in active trading while Sumitomo Metal Mining, Japan's leading gold mining company, firmed Y20 to Y2,350 in the second most active trading of 31.4m shares.

Sumitomo Metal Industries, the steel company whose pipes could be in greater demand because of Soviet plans to build a petrochemical plant in Siberia, topped the actives list with 33.4m shares and rose Y12 to Y916. Kobe Steel was also sought, emerging third in volume with 15.4m shares and rising Y5 to Y863.

Osaka failed to maintain its rising streak and closed lower for the first time in 15 trading days. The OSE index dropped 99.62 to 38,834.45 in thin volume of 81.8m shares, down from 85.0m on Friday.

Roundup

THE behaviour of the Manila market, which re-opened for the first time since the attempted coup on December 1, injected some life into a lacklustre Asia Pacific region.

MANILA recovered some ground in late trading after steep falls in the morning, thus defying predictions of a collapse in share prices.

The composite index closed 106.04 points, or 8 per cent, lower at 1,211.82. Some analysts had predicted a drop of up to 30 per cent amid doubts about the country's political and economic future.

The market was closed on December 1, when the six days of fighting began, much of it in the financial district where the Makati exchange is located.

SINGAPORE had a mixed session as profit-taking was punctuated by speculative buying by institutions. The Straits Times industrial index rose 3.58 to another post-crash high of 1,448.54. Advances led falls by 122 to 98 as some 76.5m shares changed hands.

Malaysian issues were among the most active stocks on continued speculative buying. Kemayan fell 2 cents to S$1.03 on a turnover of 6.6m shares. Tan Chong, gained 9 cents to S$2.05 while Imatex rose 5.5 cents to 47 cents. Singapore Land, down 20 cents at S$13.50, featured among the losers.

HONG KONG made some late progress but trading volume remained thin in the absence of fresh incentives. The Hang Seng index closed 9.22 up at 2,763.33 in turnover of HK$634m.

Cheung Kong put on 5 cents to HK$9.45 and Hong Kong Telecommunications gained 7.5 cents to HK$4.67.

SEOUL fell for the ninth consecutive session to its lowest level for the year. The composite index closed at 844.75, down 5.27, in slow trading of 7.9m shares worth 167bn won. Falls outnumbered gains by 650 to 125. The previous low of 846.30 was set on July 1.

Investors continued to protest at the downward trend with a series of sit-ins at brokerage firms which interrupted dealing in Pusan and Kwangju. The protestors urged the Government to boost the South Korean economy, although recent measures, such as subsidies to securities houses, have failed to stop the slide.

TAIWAN continued its downward trend amid caution about the outlook. The weighted index, which shed 105.63 points on Saturday, fell another 232.09 to 8,176.08.

Trading volume of some 789m shares, valued at NT$81.5bn, was slightly better than Saturday's 770m valued at NT$77.7bn. Falls outpaced rises by 162 to 19.

The industrial sector suffered the biggest losses while smaller falls among the banks saved the market from a steeper decline.

AUSTRALIA began the week in lacklustre fashion as pre-Christmas lethargy saw shares drift lower in thin trade. The All Ordinaries Index fell 10.2 to 1,615.8 as 73.6m shares worth A$114.2m changed hands in the lowest turnover for more than a month. Falls outnumbered rises by 220 to 104.

SOUTH AFRICA

INDUSTRIAL and gold shares continued last week's positive run amid bullish sentiment. The JSE all-gold index closed up 46 at a preliminary 2,208. The overall index reached a new high of 3,068.

EUROPE

Turnover eases as bourses catch their breath

IT WAS a day for taking stock, and profits, in Europe yesterday. Volume levels were variable, with Germany and Scandinavia putting in the best performances, *writes Our Markets Staff.*

FRANKFURT paused for breath after last week's record turnover and solid gains, although a strong banking sector offset profit-taking elsewhere.

The DAX index of blue chips finished 2.93 better at 1,653.72 after the FAZ had shown a gain of 2.71 to 693.97 at midsession. Turnover was healthy at DM5.8bn, but below Friday's hefty DM8.8bn.

Dresdner Bank produced a nearly 21 per cent rise in its 10-month partial operating profits, which was at the top end of expectations. The stock ran up to DM400 before the figures and then eased slightly on profit-taking to close DM8 firmer at DM398.50.

Deutsche Bank, which is expected to report in the next day or so, gained DM13 to DM766.50. But Bayerische Hypotheken Bank eased DM1.50 to DM407 after its 7 per cent profits rise.

Preussag, the metals group, won approval from the federal cartel office for its takeover of Salzgitter, the state-owned steel company which has strong links with East Germany, and the share price rose DM15 to DM400.

There is general agreement that the market has further to go, especially if more US and Japanese money flows in. "A fair few funds are still not yet fully overweighted — they're up to weight but not up to their required overweight stance," said one analyst. "They may be waiting for a correction in order to enter again and pick up blue chips on weakness."

He also suggested that construction stocks were beginning to underperform the market after their enormous strength this year, although it was not clear whether this was due primarily to the cold weather or to signs that business might slacken a bit as interest switched to cheaper property investments in Eastern Europe. "All the good factors such as the housing shortage, tax incentives and the commercial building boom have been discounted," he said.

Bilfinger & Berger shed DM10 to DM685 and Hochtief was off DM10 at DM985.

PARIS ended near its lows on profit-taking after last week's gains and turnover was thought to be well below the best levels of last week, at about FFr2bn.

Michelin, the tyre maker, retained its bounce, however. It finished 90 cents better at FFr175.60 in high turnover of 734,000 shares, given a fresh boost by its higher nine-month sales figures.

Groupe Victoire was actively traded as Suez, which won control in the summer, bought up minority shares. The ordinary shares rose FFr1 to FFr2,276 and participation certificates were up FFr4 at FFr1,138.

Pechelbronn, the holding company, shed FFr103 to FFr1,706 after its run-up last week on speculation that a higher price could be offered to minority shareholders under its restructuring plan.

A survey from the Insee statistical institute indicating that capital investment should grow by 14-15 per cent next year was seen as positive for economic growth but problematic for the trade balance.

The OMF 50 index eased 2.10 to 538.56 and the CAC 40 index was down 8.20 at 1,971.09.

MILAN fell after a steady start, led lower by banks and insurance stocks in very light trading. The Comit index lost 4.7 to 664.52.

De Benedetti group stocks were easier as investors awaited the outcome of the board meeting of AME Finanziaria, the financial holding company which owns 50.3 per cent of the ordinary shares in the Mondadori publishing group.

STOCKHOLM was in optimistic mood, buoyed by talk of further restructuring in the bank and insurance sector following last week's bid by PKBanken for Nordbanken. The Affärsvärlden General index closed 5.4 higher at 1,195.9.

Trygg-Hansa, the insurance group, had a lively debut, trading in the SKr200 region, and closed at SKr205, above market expectations.

Pharmaceutical shares were in focus later in the day, with Pharmacia free B shares closing SKr6 up at SKr165.

Bourse authorities warned that final share prices could be affected by a computer fault.

OSLO failed to live up to expectations following Friday's news that the Government plans to sell some of its industrial assets next year. The view was that this would not, after all, involve any of the large stakes in the likes of Norsk Hydro and SAS.

Trading was active and generally positive, however, with the all-share index closing up 2.58 at 508.25.

HELSINKI saw the Unitas all-share index rise 1.5 to 615.2 in moderate trading.

The forestry sector attracted afternoon attention following the merger announcement by United Paper Mills, Metsä Serla and Kemi Oy. Their shares were suspended.

VIENNA moved up in active trading, the bourse index closing 7.11 up at 480.92. The market mood remained positive after last week's strong performance and volume was above average, with 21 stocks rising and 9 falling.

AMSTERDAM ended a dull day on a flat note as a weak dollar and a poor start on Wall Street pulled prices slightly lower. The CBS tendency index eased 0.3 to 187.3.

Unilever rose 30 cents to Fl 159.40 against the trend. The company is expanding its activities in Chile through the acquisition of a company that produces margarine and edible fats and oils. Philips, trading ex a 60-cent dividend, lost 30 cents to Fl 47.20.

NMB Posthank eased 30 cents to Fl 46.90. The Government flotation of 26m Postbank shares was 2½ times oversubscribed, the bank said.

BRUSSELS finished easier with the biggest losses in the steel and non-ferrous metals sectors. The cash market index fell 40.30 to 6,507.61.

Steelmaker Cockerill slipped BFr18 to BFr203, with 364,500 shares changing hands, on news that the company expected a downturn in profits in 1990 because steel prices were likely to fall next year. Clabecq eased BFr150 to BFr4,400 and Arbed fell BFr90 to BFr5,550.

MADRID was pulled lower by a weak banking sector and the general index lost 0.71 to 308.85. Tabacalera, the tobacco and food stock that has been popular with foreigners, shed 17 points to 810 per cent of par.

ZURICH held steady in a slow and lethargic session as the high interest rates in Switzerland continued to dampen interest. The Crédit Suisse index fell 1.2 to 625.7.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 8 1989						THURSDAY DECEMBER 7 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	147.26	−0.6	138.23	124.96	−0.8	5.44	148.11	139.42	125.79	160.41	128.28	145.56
Austria (19)	159.56	+0.2	149.77	146.69	+0.0	1.66	159.21	149.87	146.69	172.22	92.84	98.10
Belgium (63)	148.69	−0.8	139.57	136.77	−0.6	4.06	149.84	141.05	137.64	150.00	125.58	134.86
Canada (122)	151.11	+0.3	141.84	127.15	+0.2	3.21	150.71	141.87	126.87	154.17	124.67	121.42
Denmark (36)	233.28	−0.6	218.97	216.29	−0.6	1.45	234.84	220.87	218.64	237.06	185.35	157.92
Finland (26)	129.44	−0.4	121.50	113.45	−0.4	2.49	129.92	122.30	113.92	159.16	118.63	137.75
France (126)	147.71	+0.8	138.65	140.30	+0.8	2.65	146.82	138.20	139.50	147.71	112.57	112.34
West Germany (96)	110.18	−1.1	103.42	101.51	−1.1	2.06	111.41	104.67	102.66	111.41	79.58	88.26
Hong Kong (48)	115.60	−0.5	108.70	116.16	−0.5	4.90	116.41	109.58	116.78	140.33	86.41	110.33
Ireland (17)	169.68	−0.9	159.26	160.78	−0.8	2.70	171.15	161.11	162.02	171.45	125.00	131.59
Italy (97)	92.87	+0.2	87.17	90.58	+0.0	2.52	92.73	87.29	90.58	96.73	74.87	85.04
Japan (455)	197.07	−0.3	184.98	179.63	−0.3	0.45	197.62	186.03	180.26	200.11	164.22	190.81
Malaysia (36)	212.87	+0.0	199.81	221.77	+0.0	2.39	212.83	200.34	221.80	212.87	143.35	142.35
Mexico (13)	297.37	+0.0	279.13	864.46	+0.0	0.60	297.24	279.80	864.46	326.61	153.32	174.59
Netherland (43)	137.18	+0.2	128.77	125.20	+0.3	4.25	136.86	128.63	124.87	137.18	110.63	110.44
New Zealand (18)	73.50	−0.3	69.99	65.74	−0.3	5.43	73.71	69.39	65.93	88.18	62.64	65.84
Norway (24)	187.36	+1.4	176.87	172.23	+1.3	1.59	184.78	173.92	170.09	198.39	139.92	131.35
Singapore (26)	170.87	+0.3	160.39	152.25	+0.2	1.97	170.35	160.35	151.98	170.87	124.57	121.73
South Africa (60)	181.02	+0.4	169.81	156.71	+0.4	9.65	180.26	169.70	156.07	181.02	115.35	122.90
Spain (43)	159.59	+0.0	149.80	138.25	+0.0	3.80	159.59	150.23	138.25	169.75	143.14	150.08
Sweden (35)	174.86	+1.8	164.13	164.37	+1.8	2.06	171.75	161.67	161.51	188.94	138.45	144.32
Switzerland (62)	91.43	−0.8	85.82	90.55	−0.4	1.98	92.15	86.74	90.95	94.18	67.81	78.99
United Kingdom (304)	151.83	+0.9	142.52	142.51	+0.6	4.34	150.45	141.62	141.62	158.41	133.28	134.72
USA (544)	141.33	+0.2	132.66	141.33	+0.2	3.30	140.98	132.71	140.98	146.29	112.13	112.79
Europe (991)	134.37	+0.3	126.13	125.27	+0.1	3.36	134.03	126.17	125.09	134.37	112.83	114.14
Nordic (121)	175.60	+0.7	164.82	157.64	+0.8	1.80	174.43	164.18	156.86	178.38	137.95	137.51
Pacific Basin (668)	192.05	−0.3	180.26	175.00	−0.4	0.69	192.60	181.30	175.62	194.72	160.44	165.56
Euro−Pacific (1659)	169.08	−0.1	158.71	155.11	−0.2	1.55	169.27	159.34	155.42	169.43	141.56	157.03
North America (666)	141.81	+0.2	133.11	140.43	+0.2	3.29	141.46	133.16	140.09	146.66	112.79	113.24
Europe Ex. UK (687)	122.69	−0.2	115.07	114.75	−0.2	2.69	122.83	115.62	114.87	122.98	96.30	101.04
Pacific Ex. Japan (213)	131.88	−0.4	123.79	117.91	−0.5	4.90	132.48	124.70	118.51	140.05	111.93	124.18
World Ex. US (1854)	168.65	−0.1	158.30	154.41	−0.2	1.83	168.62	158.91	154.68	168.91	141.49	155.45
World Ex. UK (2094)	158.44	−0.1	148.72	150.72	−0.1	1.94	158.56	149.25	150.88	158.72	136.98	139.51
World Ex. So. Af. (2338)	157.68	+0.0	148.01	149.88	+0.0	2.14	157.67	148.42	149.95	157.90	136.67	139.17
World Ex. Japan (1943)	139.18	+0.2	130.63	134.58	+0.2	3.38	138.86	130.71	134.35	140.43	114.51	114.18
The World Index (2398)	157.82	+0.0	148.14	149.92	+0.0	2.15	157.61	148.55	149.98	158.00	136.68	139.07

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Latest prices were unavailable for this edition. Markets closed December 8: Austria, Italy and Spain.

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SECTION III

FINANCIAL TIMES SURVEY

Li Peng, the hard-line premier, and his old guard, face growing resentment following the Peking massacre in June. As Deng Xiaoping fades, and bureaucratic paralysis sets in, uncertainties and looming power struggles cloud the future. Colina MacDougall reports

Inequality and poverty

A future at risk?

FOR ALMOST a decade, outsiders have asked themselves tha $64,000 question: would or could China ever put its reform, a success even if partially flawed, into reverse? Now there is an answer, and against all the dictates of common sense, it is "yes."

After at least five years of behind-the-scenes power struggle, culminating in the massacre of demonstrators in Tiananmen Square last June, China's hard-liners have resumed control.

In tha teeth of liberating changes in eastern Europe, Peking is back-tracking to an inefficient, ideology-bound, party-controlled system which offers power and perks to leaders but appears to offer a life of poverty and injustice for the rest.

Looked at from the west, China may seem to be moving against the historical trend as the peoples of eastern Europe begin to overthrow their party systems. But these were mostly kept in power by the threat of Soviet tanks. In China the party has its own tanks and is not afraid to use them.

The Chinese communists were conquerors, not puppets, and it is the bad luck of China's 1.2bn people that so many of its first generation leaders – victorious generals of the civil war hnt ill-endowed to manage a sprawling and problem-ridden economy – ara alive.

This power struggle has been some time in the making.

It surfaced in 1985, when the reforms – and by implication the reformers – were openly criticised by Chen Yun, a senior elderly hard-line economist at an important party meeting.

The rumblings bubbled up in summer 1988 when the reformers became vulnerable after student protests at the end of 1986 and the economic confusion of the following 18 months.

It finally came to a head this year when the conservatives gained enough support to put pressure on Deng Xiaoping, China's supreme leader, to use the army to put down the student protesters in Tiananmen Square, and dismiss Zhao Ziyang, the reformist party boss.

Now in control, they are moving to undo many of the reforms which, though they led to some serious problems, provide in the long run the country's only route out of poverty.

Even before the bloody denouement on the night of June 3-4, thoughtful Chinese knew the reform was in danger. "If the people fail in these demonstrations, China will be finished," said one prophetically in late May, in a bar in Peking.

"This is the crisis point," he said, voice breaking with emotion.

"It'll be goodbye to Hong Kong as a place that works, the intellectuals in Zhao's think-tanks will be out of a job, Li Peng (the conservative premiar) and Yao Yilin (tha equally conservative vice-premier) understand nothing, and yet again, China will miss the modernisation bus."

Unaware at that point of the bloodshed and witch-hunt to follow, he underestimated the disaster.

The hard-liners had noted the rise of Solidarity in Poland. Their perennial fear was the emergence of a similar movement in China.

They also became aware that intellectuals young and old were leaving China in droves, and when they came back they brought disturbing ideas about

CHINA

honest meritocratic government and plural political systems.

At the same time the decentralisation of the economy gave the idea of personal responsibility (never strong in China) a boost – managers were allocated hitherto undreamed of freedoms.

Zhao Ziyang was seem by the conservatives as a threat for promoting these ideas. When the student protest challenged the party in April, Deng Xiaoping appears to have abandoned him.

Zhao was already in trouble because the reform policy had led to high inflation and a disturbing amount of corruption. These did indeed need alleviation. But the measures Li Peng and the other hard-line leaders took are enabling them to tighten their political control, strengthening their grip on wayward provinces and institutions and rebuilding the party's power.

How long can this reversal of the reform last? The most optimistic scenario among Peking-watchers is that, in the long term, as younger men take over and the over-80s die off, China may resume the path of reform it followed fairly successfully until last year. When Peking gets to its third generation of communist leaders and educational and living standards rise, the modicum of political change which economic flexibility demands might be accepted. There is no alternative government in the wings, so the only realistic source of reform must be found within the party.

However, this is too far down the road for clear predictions, and in any case communist parties have no record of reforming themselves. Moreover, most analysts believe that in the short and even medium term China could have a very bumpy ride indeed.

Already the economy looks about to make a crash landing after Li Peng's blanket efforts to restore control. Discontent in the cities is running high because of inflation, and will run higher because the onset of a slump now means unemployment and substantial cuts in bonuses and perks.

In Peking at least, the student demonstrators had a lot of support from the workers.

Lin Binyan, one of China's leading dissident exiles, predicted last summer that worker strikes and go-slows would become a regular occurrence. Even tha farmers are readier to consider violence when faced with rigid officials: "Lin quoted 7,000 cases of armed resistance to grain collection," said a western Peking diplomat.

Since the June massacre Deng has created an uneasy balance in the leadership between old-style hard-liners and pragmatists such as Jiang Zemin, the new Party General Secretary and former leader from Shanghai.

Although Jiang was officially given the top job in the military as well (Chairman of the Party's Central Military Commission) even he seems to admit he has no real power, claiming to be unqualified for both posts.

A death among the octogenarians running things – even if not of Deng himself – could set off a chain reaction of power-grabbing which would destabilise the rocky leadership.

The fittest appears to be the one China could most do without – President Yang Shangkun, an old army man with a host of cronies in the military who are consolidating their power under his tutelage.

President Yang, 82 years old, shows little sign of decrepitude. He has recently taken up golf.

The Yang family typify the most obvious trend in the leadership, which is to secure the future by placing trusted relatives in vacant jobs.

In China elderly leaders are vulnerable if they cannot continne to dictate events from their armchairs – and with blood on their hands, the gang who masterminded the massacre need at all costs to suppress opposition.

This means in the medium term a hard-line leadership is likely to flourish, with all the modern control techniques at its disposal.

Today Peking is bristling with the latest spy gadgets to aid the security men. Television cameras monitor the main road intersections, uniformed security men with two-way radios patrol hotels, and cars without number-plates tour the streets.

The people are crushed but not lifeless, as the reports of stolen weapons and sniping at soldiers bear witness: "We Chinese always seek revenge," said o man on o Peking omnibus.

Deng himself appears to be fading. Now fully retired, deaf and occasionally incoherent, he occupies the position Mao held before his death – the hugely influential patriarch who intervened only when the leadership was at risk.

Very few people question thet it was Deng who pulled the army together to suppress the demonstrations, just as – ironically – it was the ageing Mao who sacked Deng in 1976, holding him responsible for the Tiananmen riot of that year. But his role is clearly a transitional one, and below him, the hard-liners are consolidating.

As Chinese leaders continue their Byzantine struggles for power, the underlying problems remain unsolved. The population continuas to increase inexorably, even as Peking clamps down on economic growth and the private enterprise which generated the best part of it.

The new, tighter grip on agriculture and the stagnation of industry will mean a growing equality of poverty.

Delays in the supply of modern technology (because of western post-Tiananmen sanctions) will waste time that the country can ill afford to lose.

As the younger conservatives dig in, prospects for even the long term future look bleak.

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Editorial Production: Phillip Halliday

Is ghostly Tiananmen Square symbolic of the country's politics?

Roots of revolution remain

ONLY HEAVILY clothed and armed police move about in Tiananmen Square. The sentinels preside over the emptiness in front of the brooding portrait of Mao Zedong in the cordoned plaza that serves as China's political centre.

The square is ghostly and forbidding with the mist of winter refracting the ochre glow of its lamps. However, the grandeur of the Forbidden City cannot leaven the loneliness of the guards' task.

What sort of government is it, people whisper privately, that must block entry to its most significant symbol.

In May, when hundreds of thousands celebrated what they hoped would be a new China, the square had life. Now it radiates the military brutality the Communist Party unleashed on its own, largely unarmed, citizens.

China's democratic revolution came and went just like the mist that hangs over the capital, bnt its genesis and underlying roots remain.

The party's oligarchy of old leaders resurrected the past to cling to power when it used the army on June 4. It was a desperate, and one suspects, futile gesture that may survive only as long as the octogenarians.

Despotism is back on top only half a year after the greatest show of democratic will in four decades of Communist rule. But it has little public support. The uprising of April and May was not a planned counter-revolution but a reflection of public dissatisfaction with the regime.

More than 100,000 students petitioned the Government for mild political reform. They had the voluntary backing of millions fed up with party corruption and mismanagement.

What began as limited mourning for Hu Yaobang, the deposed party chief, who died on April 15, escalated into near-rebellion because ordinary people sensed degeneration, betrayal and failure in their overlords. The liberal Party Secretary, Zhao Ziyang, and some of his reformist followers tried to take advantage of the discontent but they were as uncertain of its outcome as the eight old retired "emperors" who ordered the military to restore order.

Zhao Ziyang, sacked for not joining in the bloodshed, was as much a victim of the uprising as its hero. He could do nothing to satisfy the cries of the people because he, like Hu Yaobang before him, was not in charge. Control in China rests with the ageing clique headed by Deng Xiaoping and it was unable to countenance fundamental change.

Its reactionary stance not only triggered the death of more than 1,000 citizens, it plunged China back into isolation and stagnation, a condition that means unstable rule and deep division at the top.

Deng has retired and placed his latest nominee for emperor, Jiang Zemin, in the nominally supreme posts of Party and Central Military Commission (CMC) chief. But with President Yang Shangkun, his brother, Yang Baibing and Premier Li Peng all holding important jobs and hardline views, the relatively liberal Jiang has about as much chance of effecting a shift in thinking as his predecessors.

Deng stubbornly insists on upholding the "Four Cardinal Principles," which amount to the domination of the Party, and has a fanatical opposition to "bourgeois liberalisation" (western values). Consequently, the Government is locked into the same paradox that created the democracy rallies. Deng is a pragmatist who wants economic reform only insofar as it is not a threat to the Party's despotic apparatus. But, as events in China and eastern Europe have shown, one leads to the other.

China has the added complication of influential, Party elders who refuse to retire or permit fresh ideas to emerge. Men such as Chen Yun and Bo Yibo have tried to upset economic reform, while ideologues Deng Liqun, Peng Zhen and Li Xiannian, have insisted on Marxist orthodoxy. When the military figures of Wang Zhen and Yang Shangknn are included, the leadership is seen as intractably feudal.

There is, in any case, serious donbt about whether Jiang Zemin, a former Shanghai Party head, can carry on with the reforms Deng pioneered a decade ago, even with the patriarch's blessing.

It is the hardline Prime Minister Li Peng who is calling the shots, reliable reports say, not the urbane Party secretary. Jiang's mncb eulogised National Day speech, prescribed as essential reading, was drafted by a team reporting to Li Peng.

Every significant decision, down to approval of delegations travelling abroad, has to go to Li Peng's State Council. Jiang is seems unable to act alone on matters as procedural as the reinstatement of the State Economic Commission.

Economic policy is firmly in the hands of Li Peng and his deputy, Yao Yilin, and the powerful security apparatus is under the control of another Politburo hardliner, Qiao Shi.

Ideology and propaganda, which have also taken on renewed significance since June, is the province of the ambitious former Tianjin mayor, Li Ruihuan. He is seen as a likely contender for Jiang's job, or even Li Peng's.

The succession is anything bnt established, with important old guard figures such as Chen Yun and Peng Zhen supporting Li and Qiao rather than Jiang. This means a power struggle in which little will be done to address China's chronic economic problems.

Corruption within a bloated and privileged bureaucracy will persist, in spite of much-ballyhooed official attempts to stamp it out. Inefficient centralised controls will re-emerge, dragging down the standard of living and thwarting the raised expectations of a new generation.

Reformers with the skill and drive to overhaul the juggernaut, assuming they have not been purged, will keep their heads down. Affluent provinces such as Guangzhou, in the south, which have gained greatly from reform and foreign investment, will attempt to circumvent the centre's demand for rednced growth. This will only exacerbate existing tensions.

The Government may partly succeed in bringing down inflation, which will be welcome and defuse at least some of the discontent that spurred protests earlier this year. But it lacks the vision to see that China's political system may self-destruct.

The manipulative state bureaucracy is ballooning while its grass roots support has fallen. Officials in state and Party organs have mushroomed from 1.8m at the peak of tha Party's popularity in 1957 to 27m without lowering production costs.

At the same time, speculation and profiteering among state enterprises has become endemic, and there is little chance that the anti-corruption campaign will provide a meaningful remedy. This, and the excesses of June, has led to many younger Chinese being reluctant to join the Party, and induced a lack of confidence in political structures and senior leaders.

Although few would say the regime is about to collapse, it is shaky and likely to have to contemplate a return to reform. There are many observers who agree with exiled intellectual Liu Binyan, when he says that "the life expectancy of this Government cannot be long."

Peter Ellingsen

People's Liberation Army troops entering the Forbidden City under Mao's gaze

In May, thousands took to the streets to call for a new way of life . . . now, despotism is back on top

Robin Pauley, Asia Editor, on the worst foreign relations year in a decade

June massacre tarnishes image

CHINA IS ending its worst foreign relations year in more than a decade. Peking has spent the 1980s building up its relations and improving its image. This year, it planned to crown the achievement by patching up its 30-year-old quarrel with the Soviet Union, during President Gorbachev's visit to Peking.

China has been reviled for the Tiananmen Square massacre in June. It has lost goodwill and economic aid; it has attracted criticism for its support of the Khmer Rouge; it has watched with dismay as communism crumbles in eastern Europe; and, three more small countries have established diplomatic relations with Taiwan and cut ties with Peking.

Qian Qichen, the widely respected Foreign Minister, admits there have been problems and is anxious that relations on a number of fronts improve. But he insists China cannot be pushed.

"China is not afraid of isolation and it is impossible for China to be isolated. In the past, many countries tried to isolate China but none succeeded. Some countries led by the US tried to isolate and blockade China between 1949 and 1972. Their effort was to no avail. From 1960 to last year, countries led by the Soviet Union also adopted a policy of isolation and blockade against China and they did not succeed either," he says.

He adds that more than 100 countries have expressed their "understanding and support" for China since the June massacre while only about 20 have "made accusations and enforced sanctions."

But the 20 are 20 that matter and the cut-off of high-level military contacts and the freezing of loans is hurting China badly. Officials in Peking admit that at least $10bn of loans, including $300m from the British Government, have been suspended and no negotiations for new borrowings are under way.

China is particularly critical of three countries – the US, Australia and France – which have taken a strong stand against the June killings and have given sanctuary to escaping dissidents.

Sino-US relations are, says Qian, at a crossroads and it is up to President Bush to decide what course to take. Both former president Richard Nixon and Dr Henry Kissinger, his Secretary of State, who re-established relations with China in 1972, have recently been on separate private visits to China. They were received by senior leaders bnt the old warmth was gone and neither the Nixon nor the Kissinger visit provided any hope for an immediate change.

The Chinese certainly want to get back to normal with the US for economic reasons.

"While Britain can find an excuse by saying that events in June have affected Hong Kong, the US cannot find such an excuse. Sanctions by the US against China harm China's interests but also harm the interests of the US," says Qian.

China had another diplomatic setback this year: Belize, Grenada and Liberia have established full diplomatic relations with Taiwan. China, which takes pride in its good relations with black Africa and with being the protector of small states, severed links with all three. Relations with Belize had survived 32 months while Nicaragua is the only central American state with relations with Peking rather than Taipei.

China's economic crisis means it can no longer back up its diplomatic efforts with generous development aid, while Taiwan, sitting on cash and gold mountains, can. China gave $20m to Liberia over 12 years but last year the Monrovia administration received $140m from Taiwan for a road construction project.

Li Peng (left): watching events. Qian: admits to problems

As black African links weaken, China established a trading link with South Africa, previously unacceptable to the Peking Government.

Transport inefficiencies within China mean that coal from its vast reserves cannot be transported in great enough quantities to the industrial areas which need it. It is easier to get coal from abroad, particularly Australia, even if this means using precious foreign currency. This year the southern province of Guangdong has imported steam coal from South Africa and has bought a coal gasification plant from a South African company.

The student demonstrations in May were in full swing when President Gorbachev visited Peking for the first Sino-Soviet summit for 30 years. Since then, President Gorbachev has carried out political and economic reform in the Soviet Union while China has reverted to a conservative approach.

Economic collaboration between the two remains unlikely particularly as both are more interested in western high technology than in each other's less advanced equipment.

"The major development since the normalisation of relations is that after a period of alliance and also a period of confrontation we have entered a peaceful relationship without either confrontation or alliance," saye Qian.

One important result is the reduction of tension on the Sino-Soviet border, the world's longest border, and both sides are reducing troop concentrations in the area.

Similarly, discussione between India and China about reducing tension along their disputed border have this year made significant progress. China's dispute with Indonesia, dating back a quarter of a century, looks closer to resolution since the first high-level Chinese visit this month.

China's official position on developments in eastern Europe is that all countries are free to choose their own systems. But as Premier Li Peng noted, the Chinese government is watching events "with concern" and the central committee's policy research office is assessing the implications.

As eastern Europeans reject centrally planned communist administrations and opt for plural democracy, China is anxious not to be increasingly isolated in a decreasing group of states such as North Korea and Romania. On the other hand, the determination to keep the Chinese Communist Party in absolute power is stronger than at any time in the past decade.

The West has two cards it could play in return for allowing China to return gradually to the fold: Cambodia and Hong Kong. China is the main backer of Pol Pot's Khmer Rouge guerrillas in the Cambodian civil war and withdrawal of Chinese support would be the single most important step in preventing their return to power.

A few years ago China, increasingly embarrassed about the effect its support of the Khmer Rouge was having in some foreign capitals, was looking for ways out with international help.

With its international reputation in tatters, this is less of a problem, as Qian says: "We support the formation of a democratic coalition government made up by all factions in Cambodia headed by Prince Sihanouk. The impression gained by the outside world of China as a country which supports the Khmer Rouge *only* is a false impression. Besides, the resistance forces headed by Prince Sihanouk have a legitimate government recognised by the UN, not only by China."

This view has recently been reinforced by the decision of the majority of UN members, including Britain and the US, to support the continued occupation of Cambodia's UN seat by the group dominated by the Khmer Rouge. But if the West were to drop their support of the Khmer Rouge and then help China to find a way to do the same in return for an easing of sanctions, the chances for an end to civil war in Cambodia would be enhanced.

China has taken an increasingly tough stance on the future of Hong Kong which will be handed over to Peking by Britain in 1997 and which it regards as a domestic matter.

Qian and Li Peng have both castigated Britain for making Hong Kong an international issue, particularly by raising it as an issue at the Commonwealth heads of government meeting in Kuala Lumpur in October.

Qian has accused the UK of following a "highly erroneous" policy by not abiding by agreements reached with Peking.

Peking has become increasingly aggressive in its determination not to allow much development towards democracy in Hong Kong under the Basic Law being drafted. The British and Hong Kong governments, anxious to give Hong Kong people more rights since the June massacre, are proposing to speed up the introduction of democracy.

As with the Cambodia issue, the West holds powerful economic weapons, having imposed sanctions. Qian is correct to say that China has proved that it can survive isolation. But equally true is that Peking is desperate not to be isolated again.

Economic troubles pre-date the student unrest but events since then have worsened the problems

Crash landing leaves a trail of destruction

AS THE world economy starts to slow, many countries are anxiously trying to fine tune their policies and assess their chances of achieving a soft rather than hard landing. China's economy is crash landing, leaving a trail of destruction of good as well as bad components.

The troubles pre-date the turmoil following the student demonstrations which culminated in a massacre by the army in Peking on June 4. However, events since then have made the economic problems worse.

China's real economic problem is that updating and reforming a moribund economy in a vast country of 1.2bn people requires a long transitional period during which sophisticated financial, banking, monetary and policy levers can be developed.

In the meantime, progress will inevitably be hampered by the use of blunt instruments and the dramatic changes which they produce. Stop-Go and stagflation are difficult enough to avoid in fully developed economies.

In China they probably are inevitable but are made worse by the replacement of economic reformers at the top of the Peking leadership by economic conservatives.

China's economic problems date back to 1988. The liberal economic policies were producing too much growth of the wrong kind and spiralling inflation.

During 1988, official figures, all of which are probably understated, showed industrial growth at 18 per cent, money supply growth at 35 per cent and inflation between 25 and 50 per cent.

The economy was overheating in the worst possible way with consumer spending racing ahead, fuelled by large real wage rises which far outstripped productivity. Domestic supply shortages meant consumer demand could not be met without huge increases in imports, particularly of consumer luxury goods.

The concomitant price rises caused steep increases in consumer inflation – up from an official average rate of 8 per cent in 1987 to 18.5 per cent in 1988.

An austerity programme was launched in September which has achieved some of its objectives. Although the official average rate of inflation for the first nine months of this year was about 23 per cent this was because of the very high figures, well in excess of 30 per cent, coming through at the beginning of the year.

The rate of increase has slowed rapidly since May, was in the low teens by September and the average for 1989 could turn out below last year's level with single-figure monthly rises occurring in 1990.

There have been accompanying benefits for the economy. Industrial growth has slowed to an estimated 7 per cent or less this year compared with 18 per cent last year. Growth in light industry is down from about 20 per cent last year to about a quarter of that rate.

China's real problem is that updating and reforming a moribund economy in a vast country of some 1.2bn people requires a long transitional period

Retail sales have slumped and the surge of imports has finally been choked off narrowing the yawning gap between exports and imports which resulted in a $6.5bn trade deficit in the first nine months this year, up 90 per cent on the same period last year.

China's economic managers appear to have taken some of the correct cooling down measures. But there has been a heavy price.

In spite of some of the deleterious consequences which are becoming apparent, the conservative leadership which gained prominence after the fall of Zhao Ziyang, the economic liberal, reaffirmed at the recent plenum in Peking its determination to continue the austerity programme for a further two years.

"Rectification is a very difficult process and only after several years of tightening belts, uniting and hard struggle can we get through these difficulties," said Li Peng, the Premier.

An important part of the programme has been a credit squeeze. But it is biting the wrong sectors. The idea was to cool growth not to kill it; yet industrial growth in October actually contracted by 2 per cent compared with October 1988, the worst monthly figures for 10 years.

The large inefficient state monoliths are suffering least from this contraction. While restrictions remain as tightly wound as ever for the small town and village enterprises but they have breathed life into the economy and helped to soak up 90m surplus workers from the agricultural sector.

These enterprises have been one of the great success stories of economic reform since 1979 but official figures show that under the austerity programme more than 1m have been forced into closure.

The true figure is probably much higher and rising daily. Chinese factories and businesses, unable to get fresh credit lines, are shutting down or scaling back their operations to a minimum.

Officials in Peking say that many such enterprises were corrupt or inefficient as they were duplicating each other, which is partly true, but policy is killing the good with the bad.

The large state enterprises continue to be loaded with both credit and subsidies – $18bn worth in 1988 – which encourage inefficiencies while investment rather than unnecessary production is being cut fastest.

Investment in fixed assets is estimated to be 20 per cent down this year compared with 1988. China has returned to its old style of protecting and rewarding the incompetent at the expense of the productive and efficient.

While small profitable enterprises are forced to close, gigantic stockpiles of, for example, the wrong kind of steel continue to build up.

Zhao: economic liberal

There has been a collapse in domestic demand for motor cars which has caused serious problems for foreign joint venture partners which cannot sell vehicles. Nevertheless the central government continues to import more low quality cars from eastern Europe in barter deals; 30,000 have arrived so far this year, not one of which has been sold, and more are on the way.

The next problem is that the slump in retail sales and therefore in profitability is not a result of trimming of real wage rises. Pay and bonuses continue to rise, often regardless of productivity in the large state enterprises, but workers have stopped their spending spree and have channelled much of their surplus income in state bank savings where interest rates of some 30 per cent for fixed term deposits are attractive against falling inflation.

The Government insists that the open-door economic reform policy continues because it wants foreign investors to continue to put money into China.

But it is under the old central planning "bird cage" concept developed years ago by Chen Yun. He believed markets, like birds, should be allowed to fly but within the cage of socialist control.

The crash landing of the economy comes at a time when China's debt mountain, although not great by relative international standards, has reached $40bn and faces a peak in repayments in the early 1990s.

Few problems highlight the real difficulty in China as much as the foreign debt question. At all levels in China there are large power struggles taking place on all aspects of policy and reform with ministers and ministries contradicting each other daily. The result is increasingly chaos and paralysis.

Zheng Tuobin, Minister of Foreign Economic relations and Trade (a liberal ministry supporting economic reform) told the Financial Times that China was determined not to reschedule its debt, make a late repayment or service old debt with new loans.

"We do not think that borrowing new loans to repay old debts is a good idea," he said.

The next day, Liu Zhongli, vice minister of finance (a conservative ministry) said: "The Ministry of Finance will make certain amounts of new debt at appropriate moments to repay some of the old debts."

The same splits apply to devaluation of the renminbi. It is overvalued against foreign currencies, especially the US dollar where the official rate of RMB3.72 to the dollar compares to about RMB6 in the more realistically priced foreign currency adjustment centres used by foreign joint ventures. It is also overvalued against the Chinese foreign exchange certificate.

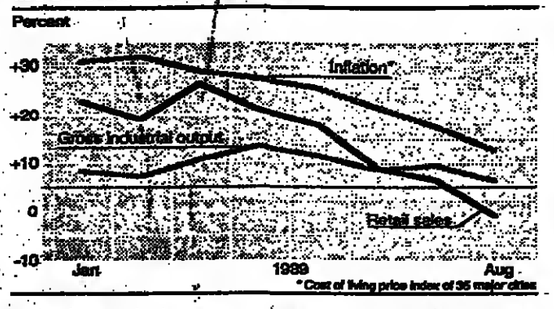
The subject is hotly debated within the ministries. The reformers believe devaluation is vital and that it can be only a matter of time. The conservatives led by Li Peng regard devaluation as face-losing and to be prevented whatever the cost.

The economy, having been cooled, is in urgent need of some policy adjustment to maintain steady growth and to nurture the efficient and productive sectors.

However, the signs are that, for political and ideological reasons, a serious recession will be permitted, even encouraged, and its onset may be imminent.

Robin Pauley

Economic indicators



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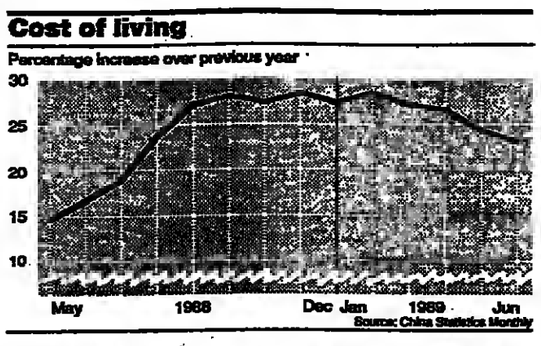
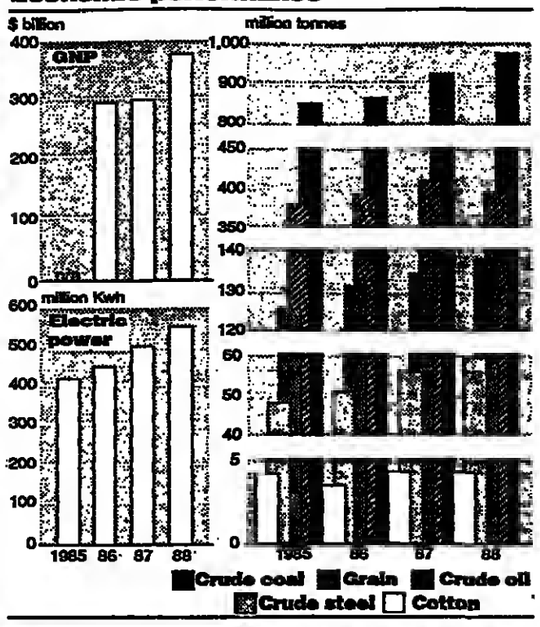


Economic performance



■ AGRICULTURE

Peasants fear rural reforms

THE PEASANTS have sniffed the wind blowing from Tiananmen Square and decided the new hard-line leadership may be about to recollectivise agriculture.

Some officials and the press have vigorously denied this, but rural folk will be hard to convince. Their biggest anxiety since Deng Xiaoping's reforms began in 1979 is that the Party line, encouraging the "responsibility system" – in which farmers can decide for themselves what to grow – would go into reverse.

The economic austerity policies imposed by Peking last year to bring down inflation serve as a warning. Rural industry, which was intended to provide a livelihood for surplus farm workers and boost the standard of living, has suffered so tight a credit and raw materials squeeze that thousands have closed.

The sacking of former party leader Zhao Ziyang for his role in the student demonstrations will have chilled farmers. Of all Chinese leaders he was the one who understood that rural reform was essential for China's survival.

Peking is discussing new farm policies. Modernisation and mechanisation are under debate, though many recognise that mechanisation consumes scarce fuel and increases unemployment in the already overmanned countryside.

More ominously, Peking is experimenting with new systems of land allocation. In October, the China Daily reported a pilot scheme at Lanfang village in the northern province of Hebei, which if implemented nationwide would bite deeply into the post-79 peasant freedoms.

In Lanfang, instead of the virtual ownership of land which the peasants have enjoyed through most of the 1980s, farmers' families are allocated a plot to grow their own grain, and another plot to farm for the Government. For this second plot they have to pay rent. Efficient families are allowed more land, and in some areas the land is contracted to a specialised team, not a family.

The problem with this and other new systems which depend on the wisdom of whoever does the allocation is that rural cadres are frequently ignorant or corrupt.

The People's Daily has affirmed that the old commune system must not return, saying, as it did on October 22: "We absolutely cannot have 'everyone eating from one big pot' again." But the tendency in China is always to err on the side of radicalism.

Peking is trying to find an answer to the admittedly severe problems which have struck farming in recent years. When the land was decollectivised, there were no longer any communes to maintain the infrastructure, as they had done previously. Irrigation, flood control and drainage, for example, began to disintegrate.

Land was left idle because many peasants preferred to work in the new and relatively lucrative industries instead of on the farms.

The farmers built houses on their land, with their new wealth, and poured money into those rather than into the fields. Since they never quite believed that Peking would not renege on the reforms, they held off spending on soil improvements and investment in land maintenance.

The upshot was that precious farmland (China has only one-tenth of a hectare of cultivable land per head, about a third of the world average) deteriorated or was lost to building. Erosion, which affects 20m hectares, was unchecked and output stagnated.

Surfeit of cabbage: a bumper harvest has forced government intervention

Jiang (left): voluntary participation. Chen: more for grain

Yao Yilin, China's vice-premier in charge of the economy, faced criticism for over-optimism from standing committee members of the National People's Congress (China's rubber-stamp parliament).

He had failed to estimate clearly the seriousness of the country's agricultural situation, said one member. While others argued that the amount of grain available per person in a year had dropped by 30 kilogrammes over the past five years and said that more investment and further modernisation were essential.

The conservatives in the leadership have been lobbying for change since 1985, when the powerful elderly economist Chen Yun implicitly criticised Deng Xiaoping for giving insufficient attention to grain farming.

There have indeed been grounds for concern, as the grain harvest fell off badly after its peak of 407m tons in 1984, with no corresponding let-up in population growth. Investment during the 1980s has gone to industry rather than agriculture.

Rural industry has suffered so tight a credit and raw materials squeeze that thousands of farms have closed

More money is needed for farming. Last year, as part of the autumn austerity package, prices paid to the farmers for grain were raised and more farm chemicals were promised. Then, in October, the People's Bank, China's central bank, allotted RMB20bn to the Agricultural Bank to ensure that last year's fiasco, where many farmers were enraged at being paid only in IOUs, would not be repeated.

These policies have helped. The summer 1989 harvest (about a third of the total annual grain output) was the best for several years, and the autumn crop promises well.

The estimated grain total for the year is likely to reach 400m tonnes, up on last year's 397m but still a long way below the 1984 record.

There are likely to be penalties in the shape of smaller cash and sideline crops, which contribute greatly to improved living standards. Growing unemployment is likely to result, because money is being diverted from rural industries to increase the funds to pay farmers.

Hitherto, the rise of rural industry has been the reform's greatest success story. In the 10 years from 1979 it grew annually at nearly 30 per cent, employed 60m people and in 1988 earned RMB83bn. This pace of growth will be slowed, said Zhang Yi, vice-director of the townships enterprise management department in the Agriculture Ministry.

Officials have been directed to close any factories they believe inefficient or wasteful, without allowing market forces to do it for them. New enterprises will be strictly curtailed, though export-oriented and other selected enterprises will be allowed to continue.

Although the leadership has decided that it has to take the countryside in hand – indeed, this decision was made more than a year ago when Li Peng's austerity policy was introduced – the argument over what to do and how to do it is still unsettled. The spring and summer upheavals in Peking distracted all thoughts from the farm sector, and only now has a public debate arisen.

The resolution of the summer's profound political crisis in favour of the hard-liners is unlikely to promote flexible thinking on the countryside.

Jiang Zemin's policy speech on National Day acknowledged that "deepening" rural reform should require the "voluntary participation" of the peasants, but he stressed the necessity of control and planning.

China's rural people are surely watching these conflicting signals with intense anxiety.

Colina MacDougall

Robin Pauley examines the turnaround in industrial policies

State groups regain priority

A DECADE ago Deng Xiaoping, China's leader, shocked the nation when he decared that profit-making was noble. It heralded the beginning of reform in the industrial sector through the emergence of a successful non-state sector.

Today, Deng is still leader but less in control of day to day policy. The word from the new conservative leaders is that subsidy-taking is noble and that profit-making is not only ideologically suspect, a product of bourgeois liberalism and a host of other dusty slogans from the pre-reform days, but also undermines the inefficient but politically loyal state sector.

Li Peng, the conservative premier, spelled out the new emphasis in which the party will again become more involved in management.

Large-scale State enterprises were the backbone of China and must have priority, he told the Economic Daily. Rural enterprises, many of which run as independent profit-oriented business, would not be allowed to compete with state enterprises for scarce raw materials and energy, he said.

Central planning is back with a vengeance at a time of strong economic retrenchment. Credit has been turned off, seriously affecting the profit-oriented non-state sector. But the state monoliths are to be sheltered from the harsh winds of austerity blowing through industry – rising subsidies will protect them.

More than 1m non-state enterprises have closed this year while there are virtually *no reports of any significant* state closures. Yet the non-state sector has grown from zero to about one-third of national prodnction in the decade since economic reform began in 1979.

This has enabled about 90m workers to be redeployed from the agriculture sector and has helped to raise the living standards of some of the country's poorest people.

Deng (left): began industrial reform a decade ago . . . today he finds himself with less control. Zheng (right): Minister of Foreign Economic Relations and Trade

One problem is China's chronic inability to produce raw materials and energy in sufficient quantities. Power *cuts occur on one, two or three* days a week, throughout the country. The majority of Hong Kong companies with processing plants in the southern Chinese province of Guangdong have bonght generators to enable them to keep working, but most Chinese operations cannot afford them.

Non-state companies operate for profit and often outbid the state sector for raw materials. They can afford the higher costs by raising their own end-product prices.

In some areas raw material plants have produced only 10 per cent of their quotas. One of the worst records is held by the Qinghai aluminium mining factory. It produced 3.1 per cent of the aluminium that the state had contracted it for, while the the region's cement plant achieved 13 per cent of its contract.

Nationwide, orders for steel and cement were about 80 per cent fulfilled and copper, aluminium, zinc and tin, about 85 per cent. The shortfall, with the private sector better able to buy, left the overmanned and inefficient state sector with worse productivity than usual *and ever more dependent* on subsidies.

Not all is gloomy. In Guangdong and the southern coastal areas, where light industry is *predominantly involved in* Hong Kong's re-export trade, the ontlook is reasonably bright. In the last decade Hong Kong's re-export trade has grown at an average real rate of 25 per cent a year as Hong Kong companies continued to locate their labour-intensive manufacturing operations in low-cost China. This was principally in textile yarns and fabrics, electrical machinery and artificial resins and plastic materials.

China's economic austerity programme has damaged Hong Kong's re-exports to China, wbere retail sales and consumer demand have slumped, but prospects remain strong in the large markets of Europe and the US. Of the re-exports going into China abont two-thirds are for China's own use and one-third for outward processing as re-exports.

Other sectors look to be in serious trouble. China's industry cannot meet the demand for quantity or quality of steel needed by both state and non-state sectors. Last year it imported 9m tonnes. But under ths austerity programme it cannot afford the foreign exchange and has cancelled orders for 330,000 tonnes of steel from Japanese producers.

The situation is so serious that the Soviet Union has offered China a low-interest loan of $100m to renovate the outmoded Baotou steel plant in Inner Mongolia, built with Soviet aid in the 1950s.

Not only Chinese enterprises are affected by the economic freeze. Joint ventures with foreign companies requiring long-term capital investments are in trouble, the most notable being the car industry.

Production at Volkswagen's Shanghai plant has stopped three times this year. Peugeot last month closed its production line near Guangzhou, provincial capital of Guangdong, and the joint venture with the American Motor Corporation has cnt the production in Peking of its Cherokee jeep.

The shutdowns have been caused by a combination of collapsing domestic demand, harsh economic policies, political indecision at the highest level and a consequent paralysis in the bureaucracy.

The Guangzhou Automobile Manufacturing Corporation, a Chinese bus producer with 2,000 employees, is barely ticking over on production of 100 buses a year.

Peugeot which started output in 1986 with planned total investment of $200m between 1987 and 1992 closed its lines because it could not get an extended production qnota *agreed for 1989 nor any indication* from Peking of its likely quota for next year. It has produced its 1989 quota of 7,000 cars.

All car manufacturers reported the inability of any Peking *official to make decisions since* June 4. They say that important issues such as production quotas have to be settled at high levels by the office of Li Peng, the Premier.

Professor Burkhard Welkenar, bead of Volkswagen Shanghai, said: "Loads of sympathy from everyone at provincial and national level; mayors, even ministers and Jiang Zemin, the Party General Secretary. But no decisions."

The collapse of the domestic market has been exacerbated by new taxes on cars and the need to obtain a purchasing right ticket before a car can be bought.

Volkswagen had a 1989 *quota* of 17,000 units but expected to produce only 12,000-13,000 cars because the market has dried up. The stock of unsold Volkswagen cars was estimated at between 2,000 and 4,000 and they were on offer to ex-patriates in China at a heavily discounted price of $10,000.

Peugeot went for two months without a new car sale which is not surprising since *the new taxes meant the cost* of a Peugeot 505 station wagon totalled $54,000.'

These problems mean it will be harder, perhaps impossible, for the joint ventures to reach the official targets for local content in their modela. This means the progress of Chinese parts manufacturers will be that much slower.

On top of this the Chinese Government pnrcbased, through barter trade, 20,000-30,000 east European cars which remain unsold. More are on the way.

One of the most extraordinary facts about China's general industrial crisis, and that of the car industry in particular, is the Peking Government's announcement of the Panda motor company.

The top secret plan is backed by US and South Korean investors. The plant will be built *near Guangzhou* with an investment of $250m to produce 300,000 cars a year by 1995.

The company president is rumoured to be a relative of the late General Douglas Macarthur. The money from South Korea is reported to be "moonie money" from the Reverend Sun Moon channelled through a US subsidiary company because South Korea does not have the right to deal directly with China. The Korean manufacturer or designer is unknown.

The production target is regarded as indicrous by industry experts, even for a country of 1.2bn people, because incomes are so low. India, the world's next most populous country with 850m people, has been producing cars for decades longer than China. But its output was only about 30,000 cars a year for 25 years before it etarted increasing slowly in recent years. India's production capacity is unlikely to exceed 150,000 within the next decade or two.

A western diplomat was sceptical: "If the Panda project proceeds, especially in this economic climate, it will be an absurd monument to everything that is wrong with China's industrial central planning.

"A more likely result of current policies is that of the planned joint venture in the north east of China with a Japanese manufacturer — it has been cancelled."

Manufacturing steam locomotives in Datong, north-east China

■ FOREIGN INVESTMENT

Flow of new funds dries up

NOT SURPRISINGLY foreign investment in China has been badly hit by the June massacre in Peking. The political instability, on top of attempts by Li Peng, the Prime Minister, to recentralise the economy and freeze inflation, cams as the last straw.

While foreigners with investments have stayed on, the flow of new funds has slowed markedly as businessmen wait to see what happens.

Official totals (which inclnde *joint projects as well as equity* investments) sbow that contracted foreign investment has fallen from $1.5bn for each of the first two quarters of 1989 to $1bn in the July-September quarter.

This is still a healthy sum, but a closer look reveals that these projects are mostly small, averaging $1m each.

Furthermore, many must have been in the pipeline before June. "I don't expect people to pull out right away," said one seasoned observer in Hong Kong. "But there will be a slow-down – people can afford to wait."

Hong Kong money favours Shenzhen, the special economic zone next to the British territory, and the rest of the Pearl River delta where many *Hong Kong projects are based.*

Skilful entrepreneurs avoid committing mucb hard casb. They supply managerial skill, technical know bow and parts for processing and re-export.

Who will buy? Peugeot plant near Canton

This specialised flow seems likely to continue. Large slices of Hong Kong's industry shifted to Guangdong because of lower labour costs, which still far outweigh the drawbacks of the less industrious and less skilled workforce in China.

"In our Guangdong plant we're paying wages of HK$700 a month, and in Hong Kong, HK$4,000-5,000 . . . even in a civil war they're not likely to come and stop the factories," *said one businessman.*

Guangdong will probably remain popular. "It's got a good infrastructure – at least compared to alternatives such as Thailand," said one Hong Kong banker. "There are no language problems for Hong Kong people, and they have plenty of 'guanxi' or connections."

One possible hitcb is wbether, even where the Chinese want a joint project, they will be able to raise the domestic currency funds.

In the present economic squeeze, borrowing is near-impossible as the leadership tries hard to clamp down on all outside-budget projects and bank *loans.*

Many western and Japanese businessmen have postponed or cancelled investments.

"We shelved our investments *the day after Tiananmen," said* one British shipping man who was thinking about a project in Nantong, east China. "The country is just too unstable." The growing spate of news about economic difficulties confirms that judgement.

The ventures with foreign car makers – Peugeot, Volkswagen and Chrysler – were in severe trouble with buge numbers of vehicles unsold because no-one could afford to buy *them.*

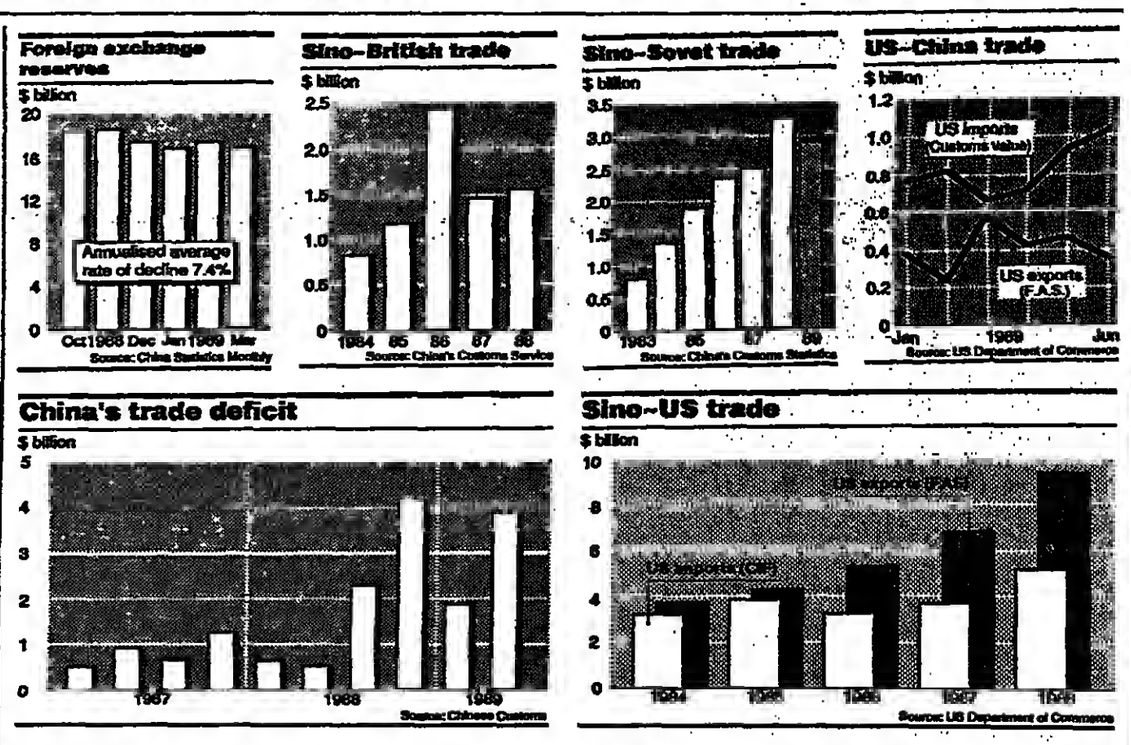
All three closed their production lines, and were uncertain how to plan for next year's production.

This was aggravated by the seeming paralysis in China's bureaucracy which meant even trivial questions were sent to the premier's office for decision.

To ease the problem, last month the People's Bank, China's central bank, allotted RMB100bn to relieve the logjam in the economy, some of which will end up solving the joint ventures' immediate problems.

The economic uncertainties remain while the post-June leadership continues blanket austerity, and few foreigners believe it is handling what are *undoubtedly difficult problems* in the right way.

Colina MacDougall



The austerity drive will not prevent a jump in the trade deficit

High costs of retrenchment

CHINA'S TRADE deficit is expected to jump to between $9bn and $10bn, well above last year's $5.3bn, in spite of Peking's crackdown on imports and its retrenchment policy.

To curb inflation, slow the country's overheated industrial growth, and reduce the trade deficit, the Government has implemented import restrictions and tight credit.

"The government started the austerity programme before June 4, but not with the same commitment," one western banker said.

However, import restrictions and curbs on loans are taking their toll on the economy. Factories that produce both for the domestic market and for export are suffering from a shortage of raw materials and a squeeze on the currency. Some factories seeking to borrow renminbi to manufacture goods for export find they are unable to obtain the necessary loans.

Some joint ventures involving foreign participation in Peking have had difficulty obtaining access to credit for domestically made parts for use in export products.

Because of the lack of money, raw materials, and vital imported parts, many factories have temporarily closed or are working a partial week.

Unemployment is growing, and the Government has raised its unemployment estimates from 2 to 4 per cent, although analysts believe the rats is higher. Import restrictions have hit consumer goods the hardest, such as Japanese televisions, video cassettes, assembly lines for automobiles, and cars for taxi fleets.

The economy faces tough times and bankers and diplomats question bow long the Government could continue the austerity program without damaging exports.

"The Government will kill a good part of potential exports by creating an overly restrictive situation," one banker said.

Bankers bslieve that it would be virtually impossible for Peking to continue with its tight import and credit policy as part of its overall retrenchment programme for more than two to three years.

The Government said the austerity policy is necessary for that period of time to cut inflation. However, the political cost would be too high, bankers said, particularly if unemployment continues to grow.

"We *anticipate that some of* the problems the Government faces will move from the economic field to the political field in the coming year," a Japanese banker noted.

However, the clampdown on imports is working. "The trends don't look bad, the situation has improved this quarter," said a western diplomat.

Following the rise in imports in the first half of the year, the Government tightened import controls and the trade deficit grew more slowly in the third quarter, while Peking stressed the promotion of exports.

However, bankers said loopholes in the system existed, and imports were still entering the country through Guangdong and Fujian.

Ths anxiety over China's trade balance was triggered earlier this year by the occurrence of several events.

Analysts said the trade deficit in the first half surpassed the amount for all of last year. At the same time, foreign lending dried up and tourism revenues fell. In spite of the *improvement in the import figures,* bankers and analysts are concerned about how Peking will pay for its trade deficit.

The Government's cash shortage is acute and there are reports that goods, such as textiles, made for sale in the domestic market are being sold to other south east Asian countries for hard currency.

Most analysts believe Peking will be able to pay the bill, but only just. Although the Gov*ernment will be reluctant* to draw on its foreign exchange reserves, some bankers said it would have little choice. Foreign exchange reserves are an estimated $14bn, with some experts saying they could be as low as $9bn.

With the decrease in tourism income and *remittances from* Chinese abroad, some bankers thought Peking would sell some of its gold holdings. Others said the sale of weapons, which are not included in export figures, would help reduce the deficit. Bankers are watching to see whether China requests loan rescheduling.

"It will be a narrow escape, but China won't have to reschedule this year," said a banker. However, others thought that the Government's only way is loan rescheduling on a case-by-case basis.

China has $7.3bn in short-term loans of its $40bn foreign debt. One Japanese banker said without rolling over these loans (which are not subject to international sanctions because they would not *be new loans*), it would be difficult for China to cover its trade deficit.

One banker pointed out that while banks would be cautious, they would be likely to consider favourably requests for rescheduling. The amount of loans that China has is less than that for *any Latin American* country and China represents a big market over the long term for a lot of creditors.

The trade deficit next year is expected to decrease as the clampdown on imports continues and the Government promotes exports. But the economy will still be in for a hard time as medium and long-term loan repayments begin to fall due.

Unless China can get the World Bank, the Asian Development Bank, and other commercial banks to make new loans, then the economy next year will be under even greater pressure.

Lynne Curry

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Robin Pauley and **Colina MacDougall** talk to Ye Xuanping, the Governor of Guangdong Province

Liberal leader resists a return to the past

GUANGDONG Province in the south of China, bordering Hong Kong, is the country's most successful province. It has been in the vanguard of economic liberalisation, has attracted substantial foreign investment and has often been used as a test bed for change.

Its dynamic success has been further enhanced under the liberal leadership of Governor Ye Xuanping.

In a long and wide-ranging interview, the first with foreign journalists since the June massacre of student demonstrators in Peking, he made plain that he does not intend to allow Guangdong's successes to be threatened by the sort of policies that have failed in the past but which the hard line leadership in Peking is attempting to re-introduce.

Two of the most controversial policies, abandoned when economic reform began in 1979 but being brought back by the conservatives in Peking, are enforced saving by employees, usually through the compulsory purchase of government bonds, and a dictum that the Party should again become more involved in the management of business enterprises.

Governor Ye will not accept either. "There will be no enforced sellings of bonds or compulsory saving in Guangdong," he stated emphatically.

He rejected more party involvement in management because it had been seen not to work. "I have been a member of the Communist Party for 40 years and I worked for more than 20 years as a factory manager and chief engineer. During the war of resistance against Japan I worked in a factory led by the Communist Party. Some of the party members leading (the work) groups directly interfered in the executive or administrative body's work. It was no good."

He agreed that matters of concern should be *discussed* within the party committee of an enterprise but that was all.

"It is not good to take over the daily control and administrative and management matters. I am not only talking about the party committee but also the trade unions which tried to involve themselves in management. That is also not appropriate but it didn't prevail. We made clear (that it was unacceptable) and it stopped."

'The party committee within the enterprise should leave administrative and executive work to management . . . It should not take over or interfere too much'

When pressed to confirm that he personally would not allow the party to play a bigger role in the day-to-day management of enterprises in Guangdong, Governor Ye replied: "Yes. That has already been guaranteed. The party's committee should not, and it is not possible for it to, take over daily management of an enterprise. There will be no change. The crux of the question is not the leadership of the Communist Party, because enterprise has always been under the leadership of the Communist Party. What is most important is that the party committee within the enterprise should leave administrative and executive work to management. It should not take over or interfere too much."

It is this approach which has made Governor Ye's policies attractive to investors and under the liberal economic policies of Zhao Ziyang, the discredited General Secretary, they were being applied increasingly throughout China.

Governor Ye was warm in his praise of Zhao Ziyang and went out of his way to emphasise that he had made important contributions to China in spite of the "mistakes" in handling the student demonstrations in Peking in June.

"Comrade Zhao served as premier and presided over the state council for quite a long time. During his term of service we accomplished a lot and he gave e lot of instructions concerning work."

Zhao had supported turmoil and engaged in action which split the Communist Party.

"These are party matters and not violations of laws so his mistakes had nothing to do with the law. A mistake committed by a leader of the party is different from those committed by rioters.

"The nature of the mistake is different. It is all quite different from the nature of a crime. It is not a matter of bringing him to justice, just taking stock of past lessons."

Governor Ye was giving the strongest indication yet that Zhao continues to enjoy strong official support and that any attempt to put him on trial would be resisted.

The new leadership is turning away from some of Zhao's economic policies and returning to some old ideologies.

Governor Ye's individual stand puts him at odds with the Peking leaders who tried, to the dismay of local businessmen, to persuade him to leave Guangdong to take up a position in the capital, perhaps even to be promoted to a vice-premier. He resisted.

"It is not a fact. I am definitely staying. The appointment of my position is decided and approved by the people's congress. I have not fulfilled my term and although I reached retirement age, I will stay the full term until 1992."

Many of those businessmen are from Hong Kong and Governor Ye has previously been regarded as sensitive to the problems and fears of the people of Hong Kong in the run up to 1997 when Britain will hand over the colony to Chinese rule. But, on this occasion, he supported the new hard line on Hong Kong coming from Peking which includes a statement that no political opposition will be allowed in Hong Kong after 1997.

"China's government has made it clear that Hong Kong should not be a base for subverting the People's Republic of China. Political opposition has to be dealt with concretely.

"Opposition to the socialist system and leadership of the Chinese Communist party would go against the constitution of the People's Republic and should not be allowed to exist."

Hong Kong will become a special administrative region (SAR) in 1997 and will be administered under a new Basic Law being drafted.

"I believe the Basic Law will not go against the Chinese constitution."

The idea is that China will then be one country with two systems, preserving Hong Kong's present characteristics for at least 50 years beyond 1997.

"I believe 'political system' is different to 'political opposition'. Therefore what we mean by one-country, two-systems on no account means that one system should oppose the other. Systems are different from political factions."

Confidence in Hong Kong collapsed in the wake of the June massacre and recent economic statistics show that the Hong Kong economy has been hit hard. Growth projections for the current year have been halved to 3 per cent instead of 6 per cent, compared with 7 per cent last year and 13.5 per cent in 1987.

Ye: no compulsory saving in Guangdong

"The student unrest in the capital developed into nationwide turmoil and finally counter-revolntionary rebellion in the capital and, as mentioned by Chinese leaders, it had a background at home and abroad.

"Central government authorities, including the state council, had to impose martial law. Personally speaking, I wouldn't have wished for such a thing to happen but turmoil had got to such a state that some rioters wanted to subvert the PRC by illegal means. So I believe these measures were necessary."

Governor Ye is widely believed to have been personally responsible for the more conciliatory approach to demonstrators in Gnangdong whera disturbances were resolved peacefully with no armed intervention.

"In Guangdong province it is obvious that student unrest did not get to a riot but there was turmoil. I believe events were understood by people in the province and by people in Hong Kong.

"The turmoil was caused mainly by Guangzhou students who wanted to block the Haiju Bridge. Just to make trouble some lay on railroads and suspended train services. It did no good to Canton. How would that be beneficial to Guangdong or Hong Kong? Some wanted to explode our 14km rail tunnel – the longest in China – and wanted to paralyse traffic between south and north China. It was not mere student unrest. I don't believe any kind of authority would tolerate this in any country."

The students were persuaded to hold some of their demonstrations at night rather than by day, and the Guangdong authorities avoided bloodshed and the protests eventually subsided.

Governor Ye was anxious that economic reform should continue. Guangdong Province had gained rapid development, partly because of its favourable geographical location adjacent to Hong Kong and Macao which had enabled the province to be a gateway in and out of China.

Another unique advantage was that about 20m Chinese living overseas are from Guangdong while more than 4m of the Hong Kong Chinese are from Guangdong.

Until reform began in 1979 these geographical and demographic advantages were not exploited.

"We have brought them into full play," he said. In July, 1979 the Government approved that Guangdong and Fujian should adopt flexible policies to make use of these advantages so we moved fast, opening to the outside world. Our policies have attracted numerous investors at home and abroad. We have pushed our productive forces ahead. They justify our reforms and open policy."

The economic reform policy encouraged a coastal policy under which the coastal cities and provinces would be given priority and encouraged to expand fastest in the belief that the benefits would eventually filter through to the poorer inland provinces. There is some uncertainty about the future direction of this policy.

"I do not see any reason not to further tap the potential of coastal cities to further push ahead their economies. Coastal and inland (areas) promote each other in a co-ordinated way.

"My personal opinion doesn't favour the word 'priority' but rather 'make use of advantage'. Coastal regions have advantages and disadvantages – they have no cotton and are short of iron and coal. Inland areas have their own advantages. I cannot make a clear priority but each should exploit its own advantage. China has been forced to open up before and the economy developed faster in the coastal regions.

"Coastal regions will always be first to have interchange with the ontside world and that is probably one of the priorities.

"Thet is why Guangdong was one of the first to adopt open policies. I always have the feeling that some of the measures of Guangdong province have played a positive role in the country's economic development with the gradual movement of our experience and expertise into inland regions. We have always been exploring ways forward and some of the failures here then do not spread inland."

Guangdong has been increasingly criticised for the corruption which has accompanied its rapid economic development and some Chinese believe that relatives of senior officials are immune from prosecution, a leading complaint of June's student demonstrators.

"We are punishing corruption and building clean and upright government. I don't believe this problem is more serious in Guangdong than in other parts of China but we would never slacken our efforts to settle this problem.

"I acknowledge that given dynamic economic development there are more chances for corruption. Our efforts to crack down have not been consistent. Sometimes we pay close attention, sometimes we slacken.

"In the past few years we have made efforts to deal with this problem. This province doesn't care about the background of people. We will investigate any cases no matter what the background. We have strong backing from the central authorities."

He added that there was also much baseless rumour-mongering. "There was a report in a Hong Kong paper that I was arrested because of smuggling gold six years ago. I still keep it as a souvenir," he said, chuckling.

A ride to prosperity: Pearl River ferry

John Elliott on Guangdong's special relationship with Hong Kong

A wealth of low wages

A MERGER between Hong Kong and the adjacent special economic zone of Shenzhen, which is part of the southern Chinese province of Guangdong, is occasionally mooted as a possible development after China has regained sovereignty over Hong Kong in 1997.

The suggestion is always dismissed. But it does nevertheless illustrate the fact that the Pearl River delta of Guangdong has far more in common with Hong Kong than with the rest of the mainland. Nowhere else in China is there such prosperity with multi-storey office blocks, gaudy new hotels, and flourishing factories using low cost labour to produce goods for international markets.

There is a question mark over the future of this prosperity. Hong Kong's success as an internationally important regional centre for finance, business and trade depends basically on confidence, which is a precarious commodity. That confidence has plunged since the June events in China, and it seems unlikely to recover while Peking's hard-liners remain in power.

This affects Shenzhen and much of the rest of the Pearl Delta, whose prosperity partly depends on Hong Kong's continued success because of the extent to which the two areas' economies and industries have become interlinked.

In addition, there is a risk that Peking's hard line policies could stifle some of Guangdong's entrepreneurial drive. This would reduce the area's competitiveness and international appeal, both for full technological joint ventures and for low cost labour processing plants which can easily be located elsewhere in the region in places such as Thailand and the Philippines.

It is estimated that between 1.5m and 2m people in the delta work in Hong Kong-*linked* processing factories and that probably as many again are employed in related activities, bringing the total to 4m people. Hong Kong dollars are widely accepted, and some analysts estimate that 20 per cent of Hong Kong's currency is circulating in Guangdong.

About 70 per cent of China's total $12bn direct foreign investment comes from Hong Kong. Some two-thirds of this is thought to have originated with Hong Kong and Chinese companies based in the colony. The rest is routed, and often financed, though foreign companies' Hong Kong offices.

Hong Kong's success as an internationally important regional centre for finance, business and trade depends basically on confidence, which is a precarious commodity

The area includes the Portugese enclave of Macao, which returns to Chinese sovereignty in 1999. Macao is of far less economic importance than Hong Kong, but it is being developed rapidly with substantial financial input from China including investment in a new airport.

The airport is located on the west side of the Pearl delta, 40 miles across the estuary from Hong Kong and adjacent to China's special economic zone of Zhuhai. It could grow in importance as a gateway to the western side of Guangdong.

Experts have often argued that Peking would not disturb the economic success of these coastal areas, and particularly Hong Kong, because of their importance to the whole country's economic development. That argument is more questionable following the Tiananmen Square events and the subsequent crackdown which showed that Peking's hard line leaders put the maintenance of China's communist regime above economic success in order of importance.

Peking officials appear to be prepared to sacrifice some of the colony's immediate confidence and economic success in the interests of ensuring that it does not challenge their regime.

Hong Kong, once seen as an important economic centre, is regarded as a dangerous centre for subversive activities bent on overthrowing communism. Consequently there has been a continuous barrage of destabilising criticism from Peking.

It seems certain that the final draft of the Basic Law, which will be Hong Kong's mini-constitution after 1997, will not include any concessions on the introduction of democracy. The draft is completed and Peking is expected to insert a new clause outlawing subversion.

Hong Kong's brain drain has accelerated because people are frightened of the risk of repression after 1997. A vast majority of those who have the means to do so are trying to emigrate to gain a foreign passport. At least 55,000 people are expected to leave annually from next year, putting serious strains on the business community.

Companies hope that the outflow of their most valued employees will be reduced by a British scheme for passports and a right of abode which is being finalised. Other countries are being urged to arrange similar schemes that would give people passports while they are still living in Hong Kong.

A government survey has shown that fear about Hong Kong's possible political instability is the main factor worrying overseas investors. Worry about the future is also being demonstrated by action which companies are taking to protect their businesses from Communist interference after 1997.

At least 40 companies have moved their domicile to offshore centres such as the Cayman Islands and Bermuda this year. Even Hutchison Whampoa, the colony's leading group controlled by an ethnic Chinese (Li Ka-shing) has considered such a move.

Some businesses, including banks, are streamlining or downgrading their Hong Kong operations, partly in preparation for 1997 and partly because of the colony's escalating costs and brain drain.

The economies of the whole of the Pearl Delta have been hit by the June events. No precise figures are available for Guangdong but the area is a large producer of consumer goods, which have not been selling. Some estimates suggest that unsold goods valued at some RMB26bn have been stockpiled.

Companies report a slowing down in the bureaucracy's operations and a worsening of the general business environment. In particular, some Guangdong officials are scared to speak out in support of foreign companies, or to take decisions that might not please Peking hard-liners.

Hong Kong's economy was hard hit in July and this pushed it into e negative growth of about 1 to 2 per cent in the third quarter compared with a year earlier. The Government believes this has improved, but it has cut its estimates of gross domestic product growth for 1989 from 5 to 6 per cent to 3 per cent.

Sharp drops in tourism and consumer demand led to a 4 per cent year-on-year decline in retail sales in the third quarter, compared with 6 per cent growth in the first quarter.

The decline in Hong Kong's entrepôt trade with China was illustrated when its re-exports to China fell by 1 per cent in the third quarter, compared to a year earlier, and well below the 50 per cent growth in the first quarter. This reflected a slowing down in activity in China and meant that re-exports of goods produced in China and elsewhere grew by only 17 per cent year-on-year in the third quarter compared with 34 per cent at the beginning of the year.

Decisions about investments in southern China have slowed drastically since June and there has also been a slow down in Hong Kong. Companies have been looking more actively for alternative production arrangements in other low wage locations such as Thailand.

But all this does not mean that the area is declining. Guangdong's open door policies have not been changed. New investment is picking up in Hong Kong after a post-June lull and there are other signs of slow recovery.

Foreign investment is still arriving, partly to cash in on current prosperity and a construction increase, and partly to establish long-term links with China.

Companies know that China is a market they cannot ignore, which is good for Hong Kong and the rest of the Pearl delta. But there is a new air of caution that did not exist before June.

The outlook for intellectual fervour is bleak

An echo of officialdom

INTELLECTUAL LIFE in China, like the secret escape route that helped a number of dissidents to find safety in the West, has been sealed as Peking prepares to put on trial more than 40 leaders of this year's democracy movement.

In a symbolic termination of the uprising that split the Government, and shook the Communist Party, leading intellectuals and student activists are to be charged with counter-revolution.

Sources say those who will stand trial include Wang Dan, the student leader, Cao Siyuan, former government adviser, and Ren Wanding, veteran human rights advocate,

The 40 are accused of inciting rebellion and if guilty could receive more than 10 years in jail or even the death penalty. There is little chance of acquittal.

The outlook is equally bleak for the emerging intellectual exuberance. China's commnnist regime, as it has done so many times before, is hobbling free expression in order to survive. The media, schools and colleges, research units and all arms of government, have been bludgeoned into a tedious echo of the official line.

With censorship pervasive, and the closing or neutering of the few outspoken voices, such as Shanghai's World Economic Herald, there are no independent voices in China.

Apart from an occasional, very subtle hint of non co-operation, the only public criticism can be found in the outpourings of dissidents abroad. Even Professor Fang Lizhi, the regime's best known critic, has to keep silent while he maintains sanctuary in the US embassy.

Those who fled to the West through the clandestine route via China's southern provinces of Guangdong and Fujian, form the nucleus of the only opposition to the Party.

That route has been closed, but Yan Jiaqi, a former head of the Peking Academy of Social Sciences, and student leader, Wu'er Kaixi, got through to form the Paris-based Federation for Democracy in China (FDC).

Along with businessman, Wan Runnan, and Chen Yizi, former aide to sacked Party boss, Zhao Ziyang, they have drawn np plans for political reform.

In a twist to supposedly retired supreme leader, Deng Xiaoping's dictum, "seek truth from facts," the group challenged the Party's information monopoly by sending messages to thousands of mainland facsimile machines. That avenue has been sealed with party cadres required to monitor and record all fax messages.

Indications that the escape route offering the only hope for those sought by the Government had closed came a month ago with the arrest of two of the most wanted dissidents, Wang Juntao and Chen Zming.

They were picked np in Guangdong with a Hong Kong businessman, who was helping them flee, as police stepped np security following the escape of another leading intellectual, Su Xiaokang.

The only important dissident still unaccounted for is student leader, Chai Ling, who is believed to be in hiding in China with her husband, Feng Congde. Chai, a graduate psychology student at Peking Normal University, was commander of the students occupying Tiananmen Square, and a moving speaker during the democracy rallies in May.

Fang: silent refuge in the US Embassy

The authorities recently issued a new arrest warrant for seven democracy movement leaders, headed by Chai, but seem to have crushed what remains of those groups advocating political reform.

Thousands were detained after the army put down the nprising in June, althongh most have been released after differing periods of interrogation, and in some cases, beating and torture.

The Government has been content to allow China's rigidly controlled social system to punish the majority of protestors. Those said to have been peripherally involved are simply denied privileges such as employmant, housing, and travel and so left to languish with no opportunities.

China's communist regime is hobbling free expression in order to survive

Others with a more crucial role in the Spring upheaval are likely to be tried or held indefinitely. Asia Watch, the New York-based human rights group, last month reported that Han Dongfang, 26, leader of Peking's illegal Independent Workers' Organisation, has heen held incommunicado since June.

Han, who tried to form a Solidarity-type group in the capital, is among those who are likely to receive the "harshest treatment," Asia Watch said.

According to the human rights group, others held include, Sun Jizhong, a factory worker who was part of the "dare to die" brigade that tried to stop troops in Tiananmen Square. Also held are Shao Jiang, 22, of the Autonomous Students' Union, Li Jinjin, 30, a law lecturer, Xu Xiaoyong, son of former foreign minister, Wu Xueqian, Professor Song Lin, who led a protest march and Zhang Ming, 24, one of the most wanted student activists.

Though most of the troops have either moved to the outskirts of the capital, or changed into police uniforms, martial law remains in Peking. It requires rarely-given official permission for the sort of investigation that would give an accurate picture of the repression.

Amnesty International has condemned the Government's "secret executions" and what it says is an attempt to "cow political opposition" by publicising select death sentences. Six months after the massacre some 33 executions have been confirmed via official Chinese sources, and Amnesty believes arrests are intensifying.

Equally forbidding for intellectual freedom, the media has been muzzled, with hard line Party theorists taking over important positions, snch as the editorship of the Peoples' Daily. Liberal-minded journalists have been removed, or arrested.

Thinkers at home and abroad have received the seme treatment. Prominent Shanghai writer, Wang Rnowang, has reportedly been arrested prior to being put on trial for "polinting the thinking of youth," a charge that, in common with so-called counter-revolution is used to silence critical appraisal of the Party.

In compliance with the fetish for orthodoxy, the Chinese Writers' Association has expelled the exiled intellectuals, accusing them of anti-government action, while at the same time offering a pointed warning to those who remain.

Former Peoples' Daily reporter, Liu Binyan, and intellectual, Sn Xiaokang, who got ont of China through Hong Kong, have been targetted for their role in establishing the Federation for Democracy in China, or Front for Democratic China, as the organisation is sometimes called.

Sn was a co-author of the controversial television series River Elergy which outraged Party hard-liners with its biting analysis of Chinese history, and marked a high point of the year's intellectual ferment.

Peter Ellingsen

A family affair: Yang (above) and his relatives were deeply involved in the decision-making process which led to the deployment of better equipped and tougher troops in and around the capital on the night of June 3.
People's Liberation Army troops (left) raise their fists in salute while taking an oath to the Communist Party in Peking in July

The army as a modern force has suffered a setback, says **Colina MacDougall**

Power from the barrel of a gun - again

THE TANKS rolled in to Peking to suppress the seven-week-old student demonstrations on the night of June 3, with the soldiers firing indiscriminately into unarmed crowds.

The shock to ordinary Peking folk who lost relatives or watched the action on the streets rocked China's capital to its foundations.

Fear keeps them silent: "We've had mnch tronble here" was all an enigmatic man in a Peking park would say last month, with a look of bitter regret. But the ferocity of the Government will not easily be forgiven.

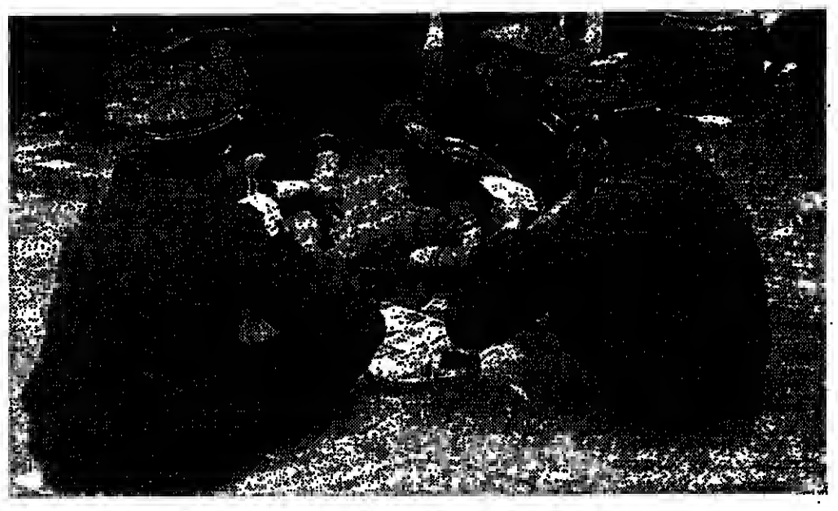
The army has emerged from the Tiananmen massacre as a prime mover in the country's politics. After Deng Xiaoping came to power in 1978, it retreated from the important role it played in the Cultural Revolution and the fall of the Gang of Four, Chairman Mao's wife and her supporters who attempted a takeover after the old man died.

Younger officers were growing more interested in modern weaponry, professionalism and a low political profile. But China's elderly generals are part of the communist old guard, and most of them see things differently.

For them, the party's absolute power and their high position insures them a privileged life which they are determined to keep.

These party dinosaurs, led by Yang Shangkun, the country's president, bypassed the constitutional military channels to call up the troops.

The summer's military decisions appear to have been taken by Yang, his brother Yang Baibing, who then commanded the army's general political department, Li Peng, the premier, and the Peking municipal government, but not by the proper ultimate authority, a full session of the Central Military Commission. But it was not the first time, and surely not the last, when powerful Chinese leaders ignored state and even party institutions when convenient.



People's Armed Police: why were they not used instead of the troops?

Zhao Ziyang, the now dismissed Party General Secretary and first vice-chairman of the CMC was bypassed. Even Deng, then the Chairman, seemingly did not participate on a minute-by-minute basis. Yang Shangkun said later that he channelled the decisions to him. Deng, however, played a leading role in summoning troops from all China's military regions and service arms.

At the peak, the military strength around Peking was probably between 350,000 and 400,000 troops.

In spite of these large numbers, there is evidence of uncertainty over how to handle the crisis and some military observers believe the decision to make the assault was taken very late.

The army's role was not a heroic one. It was used instead of police, and there was no effort to try normal crowd control methods.

Apart from Li Peng, who has excused the shooting by saying China had insufficient non-lethal equipment and said that the pressure in the hydrants at Tiananmen was not strong enough for water cannon, no Chinese leader has come up with a suitable explanation.

However, in the demonstrations of the winter of 1986/87, police used hoses to drive protesters out of Tiananmen (the water froze in the icy temperatures, and the students couldn't walk across it).

The People's Armed Police, who might have been used, are as tough as the army, but in spite of their name, usually unarmed. As China has shopped abroad for modern security systems and several times used tear gas in Lhasa, Premier Li's explanation is, at the least, disingenuous.

In June, the army was badly split over this intensely controversial action. Calm has been outwardly restored and the cracks papered over, but deep resentments exist. This is especially true among the younger officers who are unwilling to be dragged into the political arena.

The freeze on military exports by the US and some European countries will slow the halting advance to modernisation and many mid-level officers must believe the Tiananmen demonstrations could have been better handled.

In retrospect, it is generally agreed that China was nowhere near civil war, but there is much evidence of divisions in the leadership before and during the action.

After martial law was declared on May 19, two veteran and highly respected marshals, Nie Rongzhen and Xu Xiangqian, plus a former defence minister Zhang Aiping and another hundred or so senior party members, protested to Deng about the coming use of force. But the wily old leader paid no attention, drawing troops from all over the country to spread the blame.

Persistent reports in mid-May said that the commander of the 38th division, stationed at Baoding near the capital, had refused to go into action against the students because his daughter was a student at Peking University.

Later unconfirmed reports said he had been dismissed or shot. More recently he is said to have fallen ill, diplomatically or otherwise, and retreated to hospital.

Whatever the truth, the virtual disappearance of Qin Jiwei, the defence minister, both at the time and since, indicates that senior officers had doubts and were consequently held to be unreliable.

It is probably significant that the Peking military region, Qin Jiwei's former command, was the last of all seven military regions to offer support for martial law.

Yang Shangkun's family were deeply involved. As well as Yang Baibing, his younger brother; Chi Haotian, the chief of staff, is said to be his son-in-law, while his nephew, Yang Jianhua, commanded the now-notorious 27th Army which did most of the killing. The "Yang family army" had been pilloried in student posters during the demonstrations.

It was a bizarre crisis, with troops ringing Peking from the day of the Soviet president's departure on May 18. In the suburbs, the locals alternately harangued them and brought them tea and drinks, meanwhile putting up barricades across the main roads into the city.

The soldiers seen in the capital in late May and on June 2, the day before the full assault, were the usual sloppy boys in khaki visible anywhere in China. But the troops who came in on the night of June 3, were older, tougher, better equipped and better armed.

There are persistent but unconfirmed stories that they were drugged to make them more aggressive, injected with amphetamines disguised as inoculation against the diseases allegedly prevalent in the square after the student sit-in.

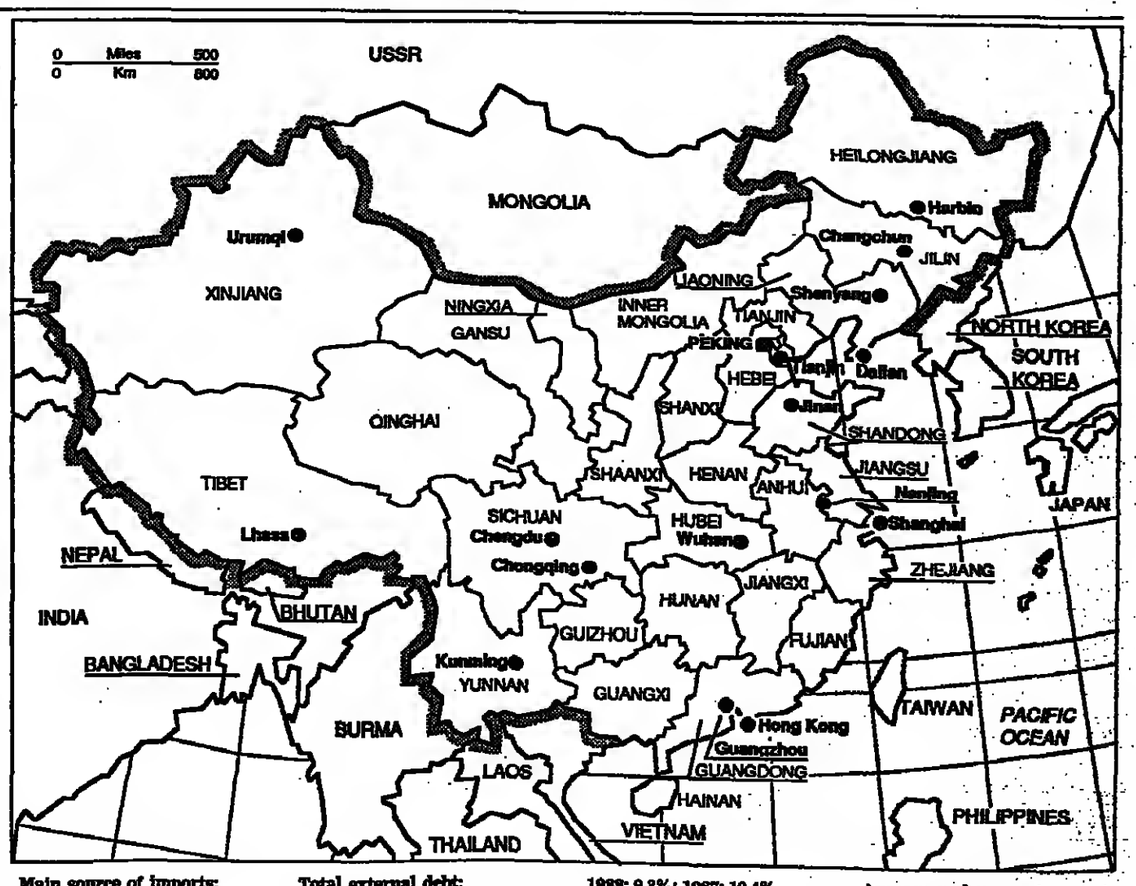
Whatever the truth of these unpleasant reports, China's military as a modern force has suffered a tremendous setback.

Few in China are likely to believe that the party genninely controls the army. In spite of the party reshuffle at the Central Committee meeting in November, when Jiang Zemin, the party leader, was appointed to the chairmanship of the CMC.

Today's reality lies in Mao's famous aphorism, that power grows out of the barrel of a gun.

KEY FACTS

Area: 9,561,000 sq km
Population: 1,096m
Prime Minister: Li Peng
Birth rate (per 1,000 of population), 1970/75: 220; 1980/87: 130 per 1,000
Urban population as % of population, 1987: 38%; average of low income countries, 1987: 24%
Doctor per person, 1970: 0.85 per 1,000; 1985: 1.41 per 1,000
GDP per capita, 1987: $290 (India: $300)
Real GNP growth, 1987: 10.2%; 1986: 7.9%; 1978/87 annual average: 9%
Inflation, 1988: 18.5%; 1987: 7.3%; 1978/88 annual average: 6.5%
Merchandise exports, 1988: $41,054m; 1987: $34,734m
Merchandise imports, 1988: $46,369m; 1987: $36,395m
Current account balance, 1988: -$3,943m; 1987: $300m; 1986: -$7,034m
Current account balance as % of GNP, 1988: -1.04%; 1987: 0.1%
Total reserves minus gold, 1988: $18,541m; 1987: 16,305m
Main exports % of total; textiles, clothing, yarn: 23.8%; petroleum and related products: 7.2%; machinery and transport equipment: 5.9%; fruit veg. and oilseeds: 4.8%
Main destinations of exports; Hong Kong and Macau: 38.4%; Japan: 16.7%; US: 7.1%
Main imports % total; machinery and transport equipment: 30.2%; iron and steel: 8.3%; plastic materials: 6.5%



Main source of imports: Hong Kong Macau: 21.7%; Japan: 20%; US: 12%

Total external debt: 1988: $35bn; 1987: 30.2bn as a % of GNP, 1988: 9.3%; 1987: 10.4%
Structure of long-term debt, 1987: official sources: 44.1%; private sources: 56%

Average exchange rate, 1988: 1$ = 3.72 yuan;
Currency: 100 fen = 1 renminbi yuan